WHY MEN STRIKE

Why Men Strike

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INTRODUCTION

In an earlier stage of our development men struck for money or hours or to gain improvement in some other essential detail in connection with employment. Now they are more and more striking against what they think is capital; really they are striking against work. Most of the panaceas offered to prevent strikes start with the assumption that there must be a dispute of some kind between the employer and employee else there could not be a strike. This to the writer seems in a class with treating smallpox as a skin disease. The men are, however they may express themselves (and commonly they are inarticulate as to their real emotions), striking against what they think is an unjust system of society. They have been led into the thought that they labour for others and not for themselves, and that society is somehow divided into those who own and those who work, and that the former have all the fun in life. This doctrine is not widespread but its influence is, for a considerable number of people are vociferously and by profession of the proletariat. Just

as the distinguishing features of the very rich are plain clothes and dyspepsia, so those who are avowedly of the proletariat may be remarked by their excessive pride in poverty.

Now unless one be completely determined to be poor, the way to a competence is to spend less than is earned—which is easy to say and hard to do. But nowadays most of the former poor do earn more than they need spend if only they spend wisely. If means can be provided by which they can be taught wise spending then they will have a margin of competence and if the margin is returned to industry we shall not only destroy the budding idea of a proletariat but also provide ever-increasing facilities for higher production at higher wages—but at a lower labour charge per unit. This means more of the good things of life not for a class but for everybody.

And it is the thought of this book, based upon a considerable amount of observation and experience, that the possibility of a death struggle between capital and labour will be avoided only when we thus all become capitalists. Then and only then shall we have removed the ground for profound differences between employer and employed.

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Chapter I

Where Wages Go and Why

THE shocking news has gone out that the working people—presumably those who work with their hands—are indulging in a veritable orgy of extravagant buying. From all over the country come the returns that people working for wages are buying automobiles, silk shirts, and $5 neckties; while their wives, who formerly made hats for themselves, are spending $20 and even $30 for something from the store. The cotton stocking has been replaced by the silk. And the worst of it is, according to the returns, these people are not inquiring about the price of anything, but simply going right smack ahead and buying at whatever price may be asked!

The information as received, and which is entitled to credit, is that these people do not know how to act with their monstrously high wages and that they are dressing themselves up as lavishly as a Sandwich Islander when a trader

with a new stock of top hats drifts ashore. And it is stated as a fact—although it might appear rather to be in the nature of an economic deduction—that this extravagance is forcing up prices, the intimation being plainly, that, if people would stop buying, prices would go down. Which is undoubtedly true, just as it is also true that the demand for goods would be considerably lessened should a large number of people, evidencing the best community spirit, choose to die all at once.

The bonus payments in one steel company are said to be high enough to permit a fast worker to buy a new automobile each year, and they are developing a taste for $2,000 and $3,000 cars as against the practical, even if somewhat inelegant Ford.

And it is not necessary to be learned in statistics to prove that wage earners are spending more for clothing than ever they did; that the high-class specialty shops are drawing custom from people who never before had put much money into clothing. The production of moderate-priced jewellery cannot keep up with the demand, and practically no retailer can keep up with the demand for luxuries by those who never before had them.

This spending craze does not happen to be peculiar to the United States. The more ex-

pensive shops in England, where, formerly, not more than one out of every five customers paid cash, now report that the bulk of their trade comes from customers they have never seen before, with pockets full of bank notes. The people who used to ride in the first-class carriages are now very frequently riding in the second and third, while those who formerly rode in the third are now buying either second- or first-class tickets. The same sort of thing is happening in France, and a glance at the exports of the United States to France shows an immense proportion of luxury articles. It is likewise true, although to a lesser extent, in Italy. Even in Germany, the complaints are that the people with the money (such as it is) are not buying useful articles, but are going in only for the luxuries.

Turning to the United States again, the retailers everywhere say that their stocks of fancy articles are swept from their shelves at practically any prices. It might be noted, however, that this orgy of spending is not confined to the wage-earning classes; there are quite a number of other people who, having made large sums out of the war, are also getting for themselves quite a number of things that they had often thought about, but never had the money to buy. The builders of the highest-priced lim-

ousines cannot begin to keep up with the demand. You will find the more expensive jewellery stores in the metropolitan centres handling crowds who act as though they were buying presents for their last mundane Christmas. The hotels throughout the country are jammed full.

And, when one speaks feelingly of the extravagance of the working classes, it might be well to remember that they are not doing much more than emulating the actions of their superiors in wealth; and that, in their very wildest moments, they cannot hope to equal the recklessness of the Government in its more conservative spending moods.

But, to get around to the common sense of the matter, why should not people who, for the first time in their lives are possessed of money, indulge a few of the tastes that they have long had but never gratified? If a man has yearned through many years to wrap a silk shirt about himself why should he not, when the chance comes to him, become the proud owner of a gay silk shirt? He will not, if the opinion of the writer is worth anything in such a purely sartorial affair, get the habit of wearing them, for really, they are rather uncomfortable. If a woman has yearned for the sheen of silk stockings, why should she not buy some of them if she has the money? All of these things, how-

ever grossly carried through, are really strivings toward a higher respectability.

The first thought among the ignorant is that respectability is essentially a matter of vesture and it must be conceded that there is at least some truth in that idea. One way you look at it, the yearning for silk shirts and silk stockings powerfully corrects a leaning toward Bolshevism—the Bolsheviki having rather set ideas on the subject of attire, which are quite far away from dandyism. Why in the world then, should not the workers buy exactly what they please, or why should not any one else buy anything that he pleases? There is nothing immoral in being extravagant; the saving disposition is certainly not a terrestrial asset and there is no real authority for declaring that it is a celestial asset. Dr. Hadley says:

Although laws prescribing what a man may buy or sell have fallen into disuse, it must not be supposed that every man exercises his intelligence and pleasure to buy what will give him the most happiness People are bound by custom where they have ceased to submit to law. A large part of the expense of most people is regulated, not by their own desires and demands, but by the demands of the public sentiment of the community about them. The standard of life of every family is fixed in large measure by social conventions Few are intelligent enough to break away from those conventions, even where they are manifestly foolish. Although we have made much progress in the direction of economic freedom, it is a mis-

take to assume that the authority of custom in these matters is a thing of the past. With most men custom regulates their economic action more potently than any calculation of utility which they are able to make Nor can we assume, as some writers are prone to do, that such custom represents the average judgment of the community as to things needed for the comfort and happiness of its members. It represents an average absence of judgment —a survival of habits, which doubtless proved useful in times past, but which in many instances have entirely outlived their usefulness. The success of advertising shows how little intelligence is habitually exercised in these matters A man does not generally use his nominal freedom to buy what he wants until someone comes and tells him in stentorian tones what he wants to buy. The authority of custom and tradition can only be overcome by the authority of drums and trumpets. It is a mistake to draw too fine-spun deductions as to the motives which guide buyers in their choice, when three quarters of the buyers exercise no choice at all. It is not merely that people want things which hurt them or which fail to do them the maximum good . . . but that they buy things, without knowing whether they want them or not through sheer *vis inertiae.*

Spending, not saving, is the custom. To get saving highly esteemed we shall have to see to it that a "nest egg" is the really fashionable thing to have.

The ordinary copy-book maxims preach the advantage of saving in such a way as to compel the normal human to be an anti-conservationist. If one deliberately believes that a higher total of life's increments of enjoyment is to be had

by spending liberally when there is money to spend and then hibernating when there is no money to spend, then, surely, in a free and unsocialized country, no really first-class moral precepts can be found to the contrary. If one chooses to spend while young, and starve or go to the poorhouse when old, that is purely a matter of choice. From certain angles, and for certain dispositions, it is surely better to have a full measure of pleasure while the capacity for enjoyment remains, than to deny oneself those pleasures in order to have a competency in old age when the capacity for enjoyment does not exist. It is not passing strange that the miser has never commanded the respect of any one other than his banker, while the free-handed chap is welcome everywhere. In fact, being extremely economical as a habit of life comes precious close to being penurious.

So, therefore, when you preach the morality of thrift you are very apt to draw a picture of the kind of a person that nobody wants to be. To rail about the sins of luxury is, as someone has said, to "bring us down with a bump on thrift, that meanest and ugliest of all the so-called virtues, the last refuge of the craven."

It brings up a picture of that kind of a property owner which every town has; the man who has saved and denied himself until he has seared

his soul. He spends his declining years living upon the virtues of his thrift and making himself a nuisance to the community by assiduously collecting all rents on the day due and in person, and refusing to make repairs in his best thrifty spirit. As Hartley Withers has said:

> Now I fully admit that thrift as an end in itself is a very unproductive quality in the eyes of most people, and that it is, in fact, often found in partnership with other qualities that are still more justly despised. From thrift to meanness and from meanness to hypocrisy are short steps. . . . To save money simply for the sake of saving after one has made ample provision for one's old age and for any dependents on one is a pastime that is open to criticism on many grounds.

It is one thing to save in wartime and in order to prosecute the war, and it is quite another thing to save in peace time to prosecute nothing in particular excepting the virtues. Now, to be perfectly frank, the amount of saving in wartime by the people in general did not amount to nearly so much as the talk about it. The saving among those who worked for wages was more or less compulsory; in most cases they subscribed for Liberty Bonds rather than lose their jobs; they instructed that these bonds be paid out of their wages in installments, and then struck for higher wages because the balance, after making the subscription, was insufficient for living

expenses. Where employers distributed small bonds or thrift stamps as bonuses, the employees cashed them in as quickly as they could get to some place that would buy them.

A certain section of public opinion now thinks that, during the war, the Government dealt extensively in gold bricks, for how, otherwise, should something which the Government says is worth $100 sell at a discount? And the campaigns of bond selling and thrift stamp distribution carried on so extensively in the public schools, were really more in the nature of games than education. The purposes were best served by making it a game, and there is no criticism meant to be made of the methods, but those teachers in the public schools with whom I have talked, say that, in the minds of the people, although the word "thrift" is very popular, and has now a very definite meaning, that meaning is connected with an enjoyable excursion into badgering people to buy little stamps—the connection between the stamps and the money is quite obscure. The boys gave up collecting marbles and other trinkets for the time being and went in for stamps—that is, thrift stamps rather than postage stamps, or cigarette cards or any of those numerous things which the normal boy feels it his duty to collect in excessive quantities.

Is it not mere caddishness for one who can afford to buy and does buy silk shirts and silk stockings, and automobiles, and who freely admits that he wastes money, but who justifies himself somewhat belligerently by saying that he can afford to waste money and that it is nobody's business, to object to other people doing the same sort of thing only because he thinks the other people cannot afford the expenditures? Right down in our hearts we know that the concern is not at all with the welfare of those other people who are wasting their money; it is really a matter of jealousy and of class distinction based on clothing—a feeling that these people have committed social misdemeanours, as when the cook duplicates her mistress's hat. And any one who preaches thrift to people on the ground that they should not have what they like for their money is simply preaching nonsensical cant. He is really preaching revolution.

One might think that the silk stocking was an investiture of class. As a matter of fact, at one time it was, and we should all congratulate ourselves that dress distinctions are dying out. For it is distinctions in dress as much as anything else that lead to the class war.

If, then, thrift has no virtue in itself, if every person within the limits of the law is entitled to spend what he can earn, and more than he can

earn if he can get away with it, is there any unmoral reason for thrift?

The reason for thrift is plain. It is not necessary to talk about morality. It is simply that if we do not have thrift we shall not have a margin of production over consumption—that is, we shall not have Capital. If we do not have Capital we cannot have progress, for we shall have no means wherewith to make improvement in existing facilities for production. There is the danger of extravagance. And it is a very real danger.

We often get a wrong start on thrift. We think of it only as buying less whereas we should think of it as buying more wisely. Look at some of the false arguments.

We know that buying less does not increase production, but, on the contrary, decreases production because the demand fails. If we should all stop buying for a time, undoubtedly a great number of stocks held in weak hands would have to be sold off, but more probably the stocks would be bought by the stronger merchants and all prices advanced in order to cover the cost of holding—the only thing that would drop would be production. That is, we should not add to the wealth of the country, we should merely go into a period of national hibernation.

It is a tribute to the economic sense of the

American citizen that appeals to be thrifty on the ground that prices will thereby drop have been received as an unfounded rumour.

There is another class of argument that one meets with now and then, which would encourage thrift—encourage the accumulation of money—so that enough might be had in one bag, for a grand big whirl—that we might have national periods when we were all sailors or lumber jacks and had just struck town. There is a certain humanness in this thought which, in a way, makes it less objectionable than the economic idiocy that I have just mentioned; it does not pretend to be anything more than it is. But intensive preparation for periodical spending debauches is not thrift.

There is a reason for thrift as a positive and not a negative habit.

Thrift is not opposed to silk shirts and automobiles. It is not opposed to extravagance as a vice; it is opposed to getting nothing for something and we might almost define thrift as consuming less than one produces for the purpose of being able to produce more. If a nation consumes all that it produces it cannot go forward. A community is but a collection of individuals. Therefore, thrift is an individual affair.

The habit of saving to provide against one's old age, is, in a way, salutary, but as an end it is

not in economics very important because the number of people who eventually become public charges is really insignificant. The habit of insurance makes the incapable aged worth keeping about to collect his insurance after death, and more often than not, in these days, the children of an old and destitute worker are seldom out anything by having to support him through his declining years. Whether their ability to save is thus unduly decreased is another matter, but commonly the support of the aged is more inconvenient than costly, and, even if uninsured, the aged, unless disabled, usually give some kind of an economic return for their support.

Thrift can be considered amiably as a social question; but its present day importance is economic and not social. Its economic side is paramount to-day. It is of vital import. For *the purpose of thrift is to provide more working capital so that the means of adding to the wealth of the nation may be augmented.*

Adding to the productivity of the nation increases the stock of goods for distribution and not only increases the buying power by decreasing the price of commodities, but also actually increases the wage of the worker by increasing the demand of capital for labour. That is the great big fact in thrift. It is not merely a virtue. We do not say that a manu-

facturer is virtuous who puts back a large portion of his earnings into his plant and equipment in order to be able to earn more. I have never heard any one extol the virtues of the big packing companies because they have most signally increased their productivity and their earnings by, for many years past, putting back the larger share of their earnings into their packing establishments.

Thrift followed by investment is simply common sense. Thrift has not been popular because it has been represented solely as a kind of morality which might be achieved by sufficient chastisement of the soul. To my knowledge it has never been impressed upon any body of workers that they could raise their real wages more quickly by investing in industry than they could by striking against industry. Yet such is an absolute fact. I say that very few workers have ever examined into this economic equation. I might add, too, that very few employers have looked into this fact.

The primary thought in most stock-purchasing and compulsory-saving schemes is not to raise the wages of the worker by providing more efficient means of production, but the thought is rather to chain the worker to his job by representing that he will lose something concrete if he leaves. This may be disguised under

the paternal anxiety of seeing that the poor fellow does not waste his money. And, probably because there has been no public instruction of the real efficacy of thrift, of the real part that it plays in the capitalistic system, there has been almost no provision for anything in the nature of systematic national thrift, no positive systematized force whose slogan will not include anything in the way of providing for future comfort or for an accumulation to be enjoyed at some future time, but whose slogan will connote something *to be enjoyed positively and in the present.*

Thrift would not thus lose any of its virtues. If one wanted to be thrifty because he was virtuous the road would be left open; if one wanted to provide against his old age or against emergency the road would be left open. Some people do not so care; they are content to live from day to day. But everybody, without exception, would like to live better from day to day. And that is what national thrift can accomplish if it be systematically and intelligently put forward! Deprivation, the doing without things that ought to be had, is not thrift, but a peculiarly vicious form of thriftlessness, for then thrift, so far as that individual is concerned, is a taking away and not an adding to.

It is not popular to refer to anything German.

Yet Germany, in many ways, provides the greatest example of thrift that the world has ever known. The German thrift was positive. As is well known the German population before the war was well fed and well housed; it was increasing very rapidly. The greater part of the population was steadily employed, the necessities and in fact many of the luxuries of life were cheaper than anywhere in the world. Throughout all Germany there were few slums; and even Hamburg, which is a seafaring town where the riffraff of the world might be supposed to congregate, was quite without anything which we would call slums.

The greatest outstanding reason for this enormous prosperity, in spite of the great sums spent upon the military and naval forces, in spite of the vast cost of government, in spite of the high taxes, and in spite of a rulership which always kept an eye on war, was the universal habit of saving, which habit was inculcated in the first place and then intensified until it became second nature by the provision of truly remarkable facilities for easy saving.

Provision for saving is half the battle; the other half is the desire to save springing from intelligent motives. Germany had 15,000 credit societies with about two million members and the total deposits before the war were more than

twenty-two billion marks. They had about 3,000 public savings banks with deposits of more than twelve billion marks. In addition are the state and the provincial savings banks, the city, township, country, trade, and private banks. The institutions to receive savings are located solely with the desire to convenience the people and their banking hours are regulated to suit the same needs rather than to conform to the personal habits of the officers of the banks.

All over Germany, banks, coöperative societies, and credit societies are at hand to receive savings, and it is a part of the German's life to spend less than he earns.

The habit of thrift is preached everywhere; the governmental offices are not extravagant, and whenever a great sum was spent in Germany, outside of the army and navy, it was to put up a public building or to improve the appearance of a municipality. I have not given figures because the present inflated condition of the currency makes figures expressed in German marks meaningless. But as an instance of what economic education of a people means—and an economic education which does not result in knowing the why and wherefore of thrift is not much of an education—is evidenced by the fact that to-day Germany, realizing that wealth comes only through production, is paying

for such imports as it will receive, solely by production.

For instance, other countries will import leather and try to pay for it with some credit instrument. Germany will import leather only on condition that the seller agrees to receive payment in the finished products of that leather. That is, their currency having become for the time being worthless in international exchange, they will pay only in that on which currency is founded—the result of productive labour.

In contrast, we have in practically every other once belligerent country the thought among people generally that the way back to a stable basis is not through work, but through a further inflation of the currency.

Only the demagogue inciting for a purpose, will condemn a good thing because of its origin. The German thrift has not been at the expense of living conditions; in purchasing power the German wages before the war were large. They were smaller in gross sums than the American wage but, as will some day be realized, it is not the amount of money that counts—it is what you can buy with it.

French thrift is proverbial, but there is a decided question whether it is a sort of thrift which should be recommended for emulation, for it is to a considerable extent of the negative

rather than of the positive order. The French have deprived themselves to save, they have deprived themselves in essential particulars and more of the result of saving seems to have gone out of the country for the purchase of foreign securities of countries with which France did not to any extent trade, than went into the industries of France. There has always been some confusion between parsimony and thrift.

But is there any reason why thrift should be more important to-day to us here in America in the midst of prosperity than in times past? It is true that we have periodical waves of intense national virtue when we would not be as others are. But I have disclaimed thrift as a virtue—although I have no objection to any one taking his thrift in that form if he chooses. To-day's reason for thrift is less ethical perhaps than before, but a thousand times more urgent. It goes to the very roots of our national well being. We are nearly to the point of "save or perish." Without savings our prosperity will vanish. And it is the comparatively small and not the large incomes that will have to provide the savings. Which is only another way of saying that the future prosperity of the country depends upon the ability of the wage earner to save. Let us see why.

Chapter II

What Are Men Striking Against?

WHY do men strike? You can sometimes put your finger upon the causes of this or that strike, but it seems beyond reason that a man will strike this week for a raise in pay and get it and then turn about and strike for another increase in the following week. He may and probably will couple his demands with some vague phrases which he does not understand, such as the "democratization of industry" or with some phrases which he does understand, such as "the closed shop." But, while we are accustomed to a certain amount of healthy unrest—the contented American is not much of a citizen—the present seething unrest is not easily explained.

The people are doing less work than they ever did and think they are getting more for it—and the "people" includes not only the people who work for wages, but nearly every one in the community excepting those unfortunates who have to live on pre-war incomes. The idea of strike is in the air. People want to strike—to

strike first and find out what for afterward. At a recent meeting of teamsters in New York City the speakers could not go on until a wild tumult of strike fever had been quieted. The meeting unofficially opened with someone proposing a strike and in an instant the drivers were all on their feet yelling, "Strike, strike." And they would have struck had not the leaders gotten control long enough to ask what the strike was going to be about. That was a poser. No one had a reason. They just wanted to strike and that was all there was to it. Almost any unscrupulous man possessed of a certain fluency can start a strike. The inchoate railway strike is an example of this. These men went out in defiance of their unions and in most cases could not give their reasons for striking. Reasons were later discovered but only with considerable difficulty. The men struck not on account of grievances but because they did not want to work. Really they struck because they were vaguely dissatisfied with things in general and knew only one method of expressing dissatisfaction.

The strikes to-day are just strikes. The men ask for money but they do not strike for money—otherwise they would not be quite as unhappy after they get it as before. These strikes are evidences of nervous disorder and perhaps

something more. They may become something decidedly more serious unless a sedative be found to cure the nervousness, for it is of the progressive type.

Look at some of the causes as glibly given. The first cause assigned is "the spread of radical socialism." But radical socialism in its Bolshevist or any other form is not a cause but an effect. It is a revolution of serfs against serfdom and although being a serf is more often a mental attitude than a fact, you cannot get even serfs to revolt unless they are acutely tired of being serfs. It is true that the delusion that all wealth is due to the workers and should be owned by them is widespread, largely because the various governments of the world recently talked so much about the man at the bench winning the war that many of the men believed it. It is always unfortunate for governments to be taken at their word; it is very awkward indeed for a ruler to issue bales of political promissory notes and then have people, instead of keeping them as souvenirs, turn up with them naïvely expecting payment. It really quite destroys the effect of government by phrases. But, however far the governments have gone in confirming the statements of the social revolutionists, the American working people are not so far diluted with those un-

acquainted with the traditions of America as to swallow the whole programme of the social revolution. A certain number of people are talking about the "new world" but they are in the minority.

The symptoms are not those of the social revolution. Only a few enthusiasts are more than lukewarm about the Plumb Plan for the control of the railroads and the expressed desires for nationalization are all careful to state that the goal is the profits which capital is supposed now to be getting. The Seattle strike was put across by talking about the stupendous profits of capital. The agitators at one shipyard brought the men out on the statement that the company was making $60 a day out of each man, while they only gave him a pittance of $6. The alliteration of the appeal was so perfect that the unattractive fact that multiplying the $60 by the number of workmen resulted in a sum five times greater than all the contracts which the company held, did not even raise a doubt that perhaps the speakers had slightly erred! There is widespread the feeling that someone is "getting theirs" or why the high prices? The wages as paid do not satisfy. The men think that it is the wages and so do many of the employers, but is it the wages or the kind of money that the wages are paid in?

Under the wage system, we must have some kind of a moderately stable medium in which to pay wages. The dollar, for many years before the war, had been steadily, although gradually, decreasing in purchasing power. But the process was so deliberate that it never caused dissatisfaction with the dollar as a medium of exchange. Wages underwent periodical adjustments which met the changed power of the dollar, but the major reason for these changes was the competition of capital for labour and not the depreciation in the purchasing value of the currency. For all practical purposes one might consider the dollar as fixed. One could always visualize it. It was possible, for instance, to pay a man a dollar for doing a certain bit of work and to have both payer and the payee know rather definitely how much actual value was exchanged. Each side knew just about what it could buy in food and clothing for a dollar and, therefore, each knew whether the work and wage were in relation. Now all that has disappeared.

Within the space of two years, we have seen the dollar drop at least one half in purchasing power. If it had dropped one half everywhere and all at once—that is, if all prices denoted in dollars had exactly doubled, we should have been in no particular difficulty, for every one

excepting the *rentier* might simply have doubled up and been just where he was before. He would merely have had twice as many counters to reckon with. But, unfortunately, this decrease in purchasing power did not come all at once and is not level. Some things increased in price—while others were not, generally speaking, much affected until raises had taken place in practically all of the commodities. As in all periods of rapidly increasing prices, real estate values were the last to be affected. All the changes, however, were irregular and spasmodic. They were accentuated in localities by a certain amount of that profiteering which is inseparable from rising prices. The whole situation has been confusing.

The average man does not understand how it is that a dollar can change in value. A dollar looks just the same to-day as it did in 1913 or 1914. The Government says that it is a dollar and everyone takes it as such. It is not generally understood that the denomination stamped upon any particular piece of currency is only for the purpose of providing a unit of calculation. Governments, no matter how much they might desire so to do, can no more fix the commodity equivalent of currency than they can regulate the soup eating habits of the man in the moon. The elements which go to form the buying

power at the moment of any bit of currency are very numerous and complex and no one really knows all about them.

Our currency and the currency of all of the more important countries of the world (at least nominally), are upon what is known as a gold basis and normally it makes no difference whether we use the actual metal or paper secured by it as hand currency. A dollar is worth a certain amount of fine gold. When the supply of gold decreases, the dollar naturally increases in value; when the supply of gold increases—then the value of the dollar, other things being equal, decreases. The more gold there is in the world, the more of it will be needed to buy a certain amount of production. The buying power of gold is regulated, as everything else is regulated, by the law of supply and demand. Just because we have a definite name for a coin corresponding to a definite amount of gold, by no means settles the question of how much value the gold or the currency based on it will buy.

The workman, being unversed in the elements which go to make up the value of money, thinks that when a value suddenly changes, somebody or other has been fooling with the currency. The American public truly love an anthropomorphic devil, and there is no content-

ment in blaming an impersonal economic force for a personal economic distress. It would be futile for the holder of a political office, when he is called upon (as of course he always is) to right world prices at once, to put the blame upon inanimate, unjailable forces. It is good policy, whether or not it is economic sense, to point out particular persons or groups of persons as the offenders. The fact that high prices of particular commodities in particular communities are sometimes due in part to speculation, just as extremely low prices are sometimes due to the collapse of speculation, gives a personal basis for high prices and opens the way for the universal remedy of suing someone. High prices are always taken by working men, politicians, and other uninformed classes, to be caused by a group of individuals to whom, for the time being, they are willing to ascribe supernatural powers. These individuals are always rich men and, therefore, the conclusion is inevitable that the machinations of capital cause the woes that happen to be fashionable.

The inflation of currency and credit mediums throughout the world is behind the general unrest. It is the big cause. When you lose your sense of values—that is, when you lose the only method that you know by which values may be expressed—then in a world society based upon a

system that requires an expression of values there is bound to be unrest. In sheer desperation those who are baffled by the constant changes of value as expressed in currency turn to a system such as Communism in which it is held out there will be no expression of values. Most people when they rail at capital, are really railing at the currency. Their trouble is that Capital, as the personal devil, is given all the jobation!

The inflation is due partially to the destruction of property incident to war, which involves not only the destruction of buildings and factories and ships, but also the property, such as guns and munitions, which is destroyed in the process of destroying; and then on top of all this waste, we have the other great waste involved in the inefficient production of things which are designed to destroy. There is the waste of the actual destruction of property, there is the waste of making things which are themselves to be destroyed, and then there is the waste of the withdrawal from productive activity of many millions of men who would otherwise be engaged in adding to the wealth of the world. If a couple of Eskimos with bad dispositions started fiercely to snowball each other with the component materials of their houses, each would probably exert more actual energy than usual,

but also each would discover that, as a net result of the expenditure of energy, he had only destroyed his own habitation by chucking it in installments at the other fellow. Neither at that moment, and as property goes among the Eskimos, could be considered as commercially well fixed. We have all been doing something of that kind, but in a less obvious fashion.

The net worth of the world is very much less now than it was in 1914, but to facilitate the dissipation of wealth we have put many times the normal amount of money into circulation and have created perfectly stupendous bank deposits. Every nation has not only spent far in excess of its income for non-productive purposes, but also has mortgaged a large proportion of its assets and future income.

The value of money depends upon the supply of commodities. The actual supply of commodities has decreased while the supply of money has increased. That is, the actual wealth has decreased while the money, which is supposed to represent that wealth has increased—therefore, money must buy less. And, because the changes come so suddenly, the exact value of money is undetermined, I say money, but because there was not enough gold and silver to use as hand mediums, all of the

metal was retained by the various countries and, instead of being freely used as currency, was held to cover paper currency. The paper obligations everywhere, excepting in this country, are really not at all covered by gold and are only nominally, and not actually, redeemable in gold. But the worker thinks of this paper in its old relation to gold. He does not understand why it does not buy. And mystery always breeds unrest.

The money and credits are entirely out of proportion with the surviving wealth. In many parts of Germany, for instance, money has so lost its value that farmers refuse to exchange agricultural products for money; they insist upon trading in kind. The same is true in Austria and Hungary, while in Russia the paper was put into circulation in order to destroy the idea of money in the minds of the people. The other belligerent countries followed the same course, but without the same intention.

Breaking up the value of money involves an almost endless number of difficulties, and one of the most serious is the entire derangement of the wage scale.

In the first instance I cited, both the employer and the employee could visualize the buying power of the dollar that passed between them. With money upset, the employer does not

know how much he is really giving when he pays a dollar, and the employee likewise does not know how much he is getting. If you have been accustomed to paying $3 for a pair of shoes and make the discovery that a new pair of wearing quality less than the old will cost at least $10, then if you are a wage earner, you will quickly and indignantly demand an increase in wage. The wage earner thinks vaguely that increase in prices is due absolutely to the conspiracies of Capital. It is the way of mankind, to punish Capital in the person of the nearest employer by requisitioning a very large wage, or as it is more popularly phrased, compelling the Capitalist to "disgorge" of his plunder. For the agitators are always at hand with the affectation of righteousness so necessary in every outrageous demand. Robin Hood made that sort of thing modish.

It is inevitable that each fresh demand for high wages on the part of labour unaccompanied by higher production, followed as they are by higher profits on the part of the employer unaccompanied by higher service, should jolt prices all around. The most familiar case of this is the advance of railroad rates to cover an arbitrary wage increase. If it costs a dollar to transport an ordinary household article and then the rate is raised to $1.50, then that article must

cost more at retail and all of the people who buy will find their cost of living increased by so much and will therefore need higher incomes. The railway men soon found that the increase in wages which they got was overcome by the unexpected increase in the price of commodities. In order to maintain their former margin, they must have another raise and thus these inequalities swing through the circle, leaving always a trail of discontent. They culminate in a wage system left without a medium in which to pay wages. Then enter the Marxian quacks.

Wages have to come out of production; there is no other way of paying them. And, if you advance wages merely by raising the cost of articles, you do not advance wages at all; in fact, you only tend to lower their actual buying power and to add confusion to an already sufficiently confused state of affairs.

If the disordered purchasing power of the currency—call it inflation of currency, or inflation of credit, or anything else that you like—is caused by an excess of that which is supposed to represent wealth, over wealth itself, then the only remedy is to increase the wealth.

The only way to increase wealth is by production.

It may not be wholly desirable to return to the former purchasing power of the dollar. The

immense war debt was created in terms of a depreciated currency. If the currency be materially appreciated; if, for instance, it could by any miracle be restored to its pre-war purchasing power, then the war debts would be twice as great a burden, approximately, as they now are. The psychological way to dispose of these war-debts is to keep on calling a dollar a dollar, but to let it buy only fifty cents worth. That is what has always been done in some degree or other in the repayment of a war loan; the water, excepting in theory, has never been pursued over the dam. The *rentiers* have held the bag.

But, whether it be upon the present basis of currency values or not, it is inevitably necessary at least to get down to some kind of a valuation, and the only way to stabilize present values is to nail them down with adequate production.

There are numerous anti-production ideas about, and they are finding considerable encouragement abroad where the propaganda of production for use instead of production for profit is being put forward as a panacea. A number of drastic suggestions for deflation are being urged, but there is a suspicion that behind them is the desire to destroy the capitalistic system rather than to benefit the currency. Some of the Slovak republics are simply calling in money and destroying it, while in other

countries, particularly in Austria and Hungary, frank repudiation is popular. In this country the most "liberal" idea is to impose excessively high taxes, but the popularity of that thought arises not so much from the possible reaction on prices, but on the side of the levelling of fortunes. And then there is the resounding slogan of "high prices and prosperity." A rise in prices due to the depreciation of the currency, or to the inflation of currency or credit—all of which practically amount to the same thing—is most elusive because the earmarks are those of prosperity. It is quite impossible to get out of the minds of people in general that a lot of dollars is not always good. Rising prices do stimulate buying and, for a time, stimulate production. Inflation always increases the bank deposits. Bank deposits are considered as an index of prosperity. Therefore, people are inclined to regard a period of inflation as one of exuberant prosperity.

It seems almost unnecessary to note that if you borrow $5,000 from a bank, and it is credited to your account, the deposits will be swollen by $5,000; and, that, as you distribute this new buying power, the deposits of other banks will rise, and that the $5,000 will stay in circulation as purchasing power until somebody pays it off. It can be paid off only out of savings; it is not paid off by shifting loans, and while it remains

in circulation, it is not wealth, but merely purchasing power. Wealth is based only on production—on things. Bank deposits have increased anywhere from 50 per cent. to 100 per cent., the wealth of the country has not increased—if it has increased at all—in anything like that amount. So, therefore, a considerable proportion of our bank deposits—what proportion we do not know—are nothing more than inflation.

The idea that all this inflation can be decreased by merely seizing upon the capital accumulations of the country, and that such a seizure would be to the benefit of the working class, arises out of a lack of knowledge as to what capital is and what it does.

There is a failure to realize that the accumulation of capital is always for the benefit of the entire community and that, whoever may be the owners, the community always benefits to a much larger (even though not to such a spectacular), extent as does the advertised owner. In fact, if we should divide up all the accumulations of to-day as the Communists would have us do, if the people were to combine and agree—presently to spend all the accumulations of everybody in the past, the result would not be that some would be poorer and others richer, but that all would be poorer. For such a division and such a concentration on spending would

destroy all surplus accumulations and there would be no fund upon which to draw for the new capital to be used in industry and agriculture. And, therefore, there would be no way of providing for the extension of the better ways of doing business.

If the entire surplus income of a rich man is taken, the rich man himself is not harmed. He cannot, under any circumstances, waste more than an inconsiderable part of a large income, no matter how keen may be his desire to waste. The major part of a large income must inevitably go into investment channels. If the Government takes the income it can only invest it, and governments are preternaturally inefficient in investment.

When capital accumulations are rapid, then there will inevitably be sharp bidding by the owners of that capital for means to employ it. Capital cannot be made productive without the addition of labour. If there is more capital than labour, then labour's wages must rise; if there is more labour than capital, then wages must go down.

Those who urge the redistribution of capital so that less capital will be available for the advancement of industry are working valiantly in the direction of lowering wages and not of improving them, as they think they are.

Wages, to repeat, depend upon production. Production is increased by placing more and better equipment in the hands of labour. That equipment can be bought only with capital.

It is urged, however, that more production means slavery for the wage earner. And so much emphasis was placed upon production in England, or rather upon schemes for high production after the war, that the radical leaders have succeeded in convincing the people there that greater production will be only for the benefit of capital, and will not affect labour. That is, of course, due to a misconception of what wages are and where they come from. But the misconception is not confined entirely to the wage earners.

Many employers look upon high production only as a method by which they can get a lot of goods from their workers in a very short time and at less than the usual cost. They think that if they can quickly fill their orders and accumulate a surplus then they can shut down and dispose of that surplus at a good round profit. High production, with that design in view, hurts not only labour but also society in general, including the employer who imagined that he was benefiting himself.

The fundamental error which both sides fall into is in neglecting to remember that pro-

duction is not merely a good thing in itself, but, that in order to keep up production, somebody has to buy what is produced. A high rate of production, without the economies which large production make possible, quickly fills up the market. The goods cannot be moved if they are priced as were the goods of low production. But they can quickly be moved and, in apparently any quantity, if increased production is accompanied by decreased price. The best example of this is the Ford Automobile. This concern has steadily reduced prices, and it therefore continues to sell year in and year out, a perfectly inconceivable number of motor cars. It is quite impossible to comprehend how so many motor cars can be sold; but every decrease in price taps an immense new market.

It is not possible to saturate a market with goods. What is meant by "saturation of the market" is that the seller of the goods refuses to avail himself of the economies of production in order to reduce the price of the goods. It is not the goods but the price that saturates. Steadily increased production compels the management of capital to be exceptionally skillful. It must improve processes to gain profits at selling prices which are less than the cost in less intensive production. The old idea, brought to its fullest development probably in the clothing trade, was

that skill in management was unnecessary and that the costs of the production were to be saved by bearing down upon the human element. The same lack of acquaintance with business displays itself in those who, after every advance in wages, say that prices cannot go down unless wages are lowered. They do not realize that highly skilled production at low wages results in glutted markets, because those who work for wages have then no surplus buying power—they must spend all for the absolute necessities of life. It is a neat and comforting equation!

The backward employer and the average labour leader are curiously in agreement on one economic fallacy. This sort of employer, failing to improve the possibilities of his business, works for high production, not necessarily with low labour costs, but with low wages. Labour costs and wages are very different. The labour leader works for high wages and a strictly limited production. Both are chasing the same kind of a red wagon. If this sort of employer had his way he would speedily have a great lot of goods on hand and no one to buy them. If the labour leader had his way—and lately he seems to be getting it—his people would have large amounts of money and nothing to buy with it.

It is disagreeably un-Utopian and perhaps quite out of keeping with modern counsels which

must indeed be modestly put forth if they are not of perfection, to be unable to plan any workable scheme by which Labour and Capital can both be happy and prosperous without working. One single section of Capital and Labour may arrange to get more money for less work, but their success is shortlived. The demagogue leads foolish workmen into believing that the wages in their industry can be permanently raised and, at the same time, production can be decreased. It is not strange that the people in that industry give ear. The strange part is that other industries, wholly failing to realize what is up, will aid and abet in the process. If the machinists inaugurate a "sympathetic" strike because the coal miners are not getting enough money and thus force a higher wage for the miners, that higher wage, without added efficiency, will force up the price of coal. The machinists must then strike and so on through the other trades until finally they have struck down the buying power of the miner's advance.

A few sound-thinking labouring men have begun to realize this fact. But sound thinking being always an unpopular attribute, these men are rapidly being pushed out of office. Some of them are articulate, and the splendid analysis of the effect of the miners' claims in England upon British industry, by W. A. Appleton, the presi-

dent of the International Confederation of Labour, not only applies to English industry, but to American industry, and not merely to coal, but to transportation and to steel, or to any other of the fundamental products. This is what Mr. Appleton has to say:

Throughout the country this is literally the burning question. Homes and factories are equally concerned; comfort and existence are alike jeopardized. A nation dependent upon industry and export dare not sit calmly while industry and export are both gravely endangered. Already the people are paying the penalty for their faith in formulae and in the promises of politicians who seek self-advancement rather than national well-being. They are paying *a* penalty, but they do not yet appreciate *the* penalty that must ultimately be paid unless production is increased and cheapened. Pit head prices up, in little more than five years, from 10s 1 ½d. to 25s 0 ½d; selling prices up from 20s to 50s; supplies unlimited in 1913; supplies closely rationed and frequently unobtainable in 1919. These are consequences which every housewife understands, but she does not always understand that they mean unemployment for husband and her sons.

Six shillings a ton has shocked men and women into thinking, but this is only a part of the cost. If the export trade fails, as fail it must, if production continues to fail, another 1s 4d. may be added to the selling price. This could perhaps be borne (although the poor must suffer) if it covered all the cost. Unfortunately, it only reflects the smaller portion of the prices we must pay. Without export all food prices will go still higher. With coal prices prohibitive of export, industry will languish and men must emigrate or starve.

> Your member of the Shipwrights' Society, your boiler-makers, and your member of the Amalgamated Society of Engineers require them. Without iron and steel these highly skilled men cannot make the ships that bring in food or those wonderful machines which bring fame and profit. Six shillings per ton on coal means one pound per ton on native made steel, which already suffers grave handicaps.

A case directly in point is our own railroads. During the twenty years before the war there was an enormous increase in efficiency of construction and management. Compare the heavy rails and the powerful locomotive hauling a long train of cars, with the light rails, wheezy locomotives, and short trains of not so long ago, and you will realize something of this efficiency. In the period from 1900 to 1917, the average wage of railroad employees increased. But the charge to the public decreased. Since 1917, with the government in control, the number of railway employees has increased, the total wages have increased at the rate of 62 per cent. a year, while the public is paying an increased passenger rate of 50 per cent. and an increased freight rate of at least 25 per cent., and is in addition making up a large deficit out of taxes! Why? The high wages were not accompanied by additional compensating efficiency of management or of men.

All of this however, they say, can be cured by the nationalization of industry and no dis-

agreeable emphasis need be placed upon production. Let the State step in and trouble will step out. Will it? E. Gittins is an English trade unionist who has thought on these matters and he reaches a different conclusion in the London *Democrat:*

Let it be supposed for a moment that some essential industry has been nationalized, and the so-called employer has vanished. Is the employing instinct defunct because of it? Is it not rather the fact that the middleman—the go-between—has been eliminated, and the worker has been brought face to face with his real employer, the consumer?

This is the exact position, and the possibilities of peace in industry have been in no wise increased by the transference of the expression of interest. Rather, the reverse is the case. So far, the consumer has been quiescent, save when the Government has stepped in on his behalf to save him from being crushed in the clash of other forces. But under nationalization, labour has handed over industry entirely to the real employing class. He has not transferred the ownership of his particular industry to himself, but to the country at large, and in that country the workers in any one industry constitute a very small minority. Is it likely that the consumer in general knowing that now the entire control of the industry rests with him, will allow that industry to be manipulated against himself? Can the interests of the consumer at large, of the whole nation, be so easily jeopardized as can the interests of an employer or a group of employers who may very easily be ruined by a short cessation of labour power, and who must give concessions to preserve any part of his property?

No; the two interests—employer and employed—are

still present, with the only difference that the employing interest has been made infinitely more powerful. And so long as those two interests exist, so long will the possibility of industrial strife remain.

True, the worker has, under nationalization, an infinitely larger purse to draw on for those increases of wages which he deserves, but he has also arrayed against him the whole economic resources of the nation—his employer—which can infinitely better afford to tire him out than can the comparatively slender purse of the largest trust that ever was formed. Indeed, he is up against the biggest trust that the horror-stricken imagination of any worker can conceive—a trust of the whole of the consumers, whose interests are certainly not on the side of costly concessions the temptation to try to dip into the purse, but by so doing he will raise a bigger hornet's nest about his ears than has ever been the case with his most abortive struggle under the present system.

Nationalization is hardly the way out. It does not make a growth where there was no growth before. Our national problem is not so much further to destroy as it is further to construct. It may be phrased in this wise:

I. We have spent in advance of our income, we have created credit and buying power for war purposes ahead of our ability to produce. We have pledged a certain amount of future production.

II. What means can we devise to restore the balance, and, at the same time, better not the condition of one class as against another, not the condition of the man who works with his hands as

against the man who works with his head, but to benefit all classes?

The general answer is obvious. We can make up the deficiencies only by providing more wealth and we can provide more wealth only by increasing the facilities for increasing wealth. It is the function of capital to produce wealth. But where can we find the capital?

Chapter III

The More Popular Misconceptions of Capital

"SAVE or perish!"

"Down with the capitalists and high prices!"

Any one of an inquiring disposition might try these two slogans on a crowd. I have seen them tried. The first brings jeers; the second brings cheers. For in the present state of economic education saving is only an idiosyncrasy—derided by the worker as a "piker" way of living and by the merchant as a habit which would deprive him of sales. Capital, on the other hand, is represented as a personal sort of devil that causes high prices—something to be damned if in the hands of the other fellow.

Very few will understand that an excess of capital causes low prices. That is not self-evident. Nearly everyone will understand that not buying will cause prices to drop. That is self-evident. And also they will very rightly resent the proposal for they will see that inevitably in the process the employer will lose trade and the employed will lose jobs. If you

have no money prices become academic. The average citizen will not be more enthusiastic over a programme of not spending in order to lower prices than he would be over a plan to cut off his right leg in order to save the nation's shoe leather. And in this he is quite right; it is really fortunate that most of the thrift arguments and campaigns do not get over for they go mostly to limitation instead of to extension. One cannot preach, with good grace, saving for its own sake; a savings fanatic is no better than any other sort of a fanatic. But if we try to discover the broad economic significance of thrift then we can distinguish it from mere saving. And then eventually we can get the personal significance.

The real significance is commonly overlooked because we have a way of taking the defensive on the constitution of society. We confuse the many ills of society with its structure and incline toward the apologetic. Before we apologize for the general system of society under which we live, would it not be as well to discover if we know what the system is?

Glibly, it is the capitalistic system—but what employer would venture to assert that he advocates the "capitalistic system"? Is it not always considered better taste to avoid the use of the words "capital" and "labour"? It is held in high quarters that the free use of these

terms tends toward the widening of the breach between those who employ and those who are employed.

But would it not be better to face the facts? Why should we apologize for "capital"? We might like to apologize for some of its representatives, just as we should apologize for some that call themselves representatives of labour; but why assent to the condemnation of a whole system because of individuals? To my mind a deal of the dodging about in the use of terms is due simply to a misunderstanding of what those terms mean. If an employer is what is known as "class conscious," then he will imagine that some deity has appointed him to rule and that between him and those whom he employs a great gulf exists. Without knowing it, he is one of the props of Marx Socialism and infinitely more dangerous than a whole train load of indoor or outdoor Bolsheviki. The extremists on both the capital and labour sides hold exactly the same views up to a point. The Bourbon thinks that he is a member of a class which should rule; the proletarian takes it that he is one of a class of "wage slaves" and that he should rule because he affects to believe that he is responsible for all production, and that "the man who makes the carriage should ride in it."

As a fact, those who are neither drunk with

money nor drunk with mob-power know that society is not divided up into classes with high caste fences about each. In almost any one case the distinction between the employer and the employed is fairly sharp, but the employer is constantly becoming an employee and the employee moving to the employer status. Quite frequently the man who is employing is not capable of directing, and again, the man directed may well be capable of directing. But in the end nearly everyone gets about where he ought to get.

That which we know as capital is not at all a class perquisite but is the whole sum of productive investment, and infinitely more of it is owned by those who never think of themselves as "capitalists" than by those who, in moments of aberration, do. The farms are capital and they represent more money than is invested in industry. The army of barnyard hens in the ordinary year gives a product of greater money value than do the roaring blast furnaces. And even when we think of capital as money—which is how those who call themselves "capitalists" frequently think—even then, we find that it is the sum of small accumulations that provides the greatest amount.

But because so many of us are not sure of just how our society is organized, we like to dodge the

fundamentals. Instead of squarely meeting the question of whether production for use is better than production for profit, if we happen to have profits in our pockets, we stammer about in apologetic fashion and leave the field open to the two classes who would destroy society—the Bourbon and the Bolshevik. They are equally dangerous and differ mainly in bathing habits and choice of language.

Nearly every wage dispute, nearly every social disorder gets back to a misconception by one side or the other, and frequently by both sides, of what capital is and what it does. Where once we had religious wars of intolerance, now we have economic wars of intolerance.

Why should so many manage to gain so many wrong or half ideas of the social structure? It is conceivable that some might advocate production for use as opposed to production for profit, but it is not conceivable that a very large number of people should set out to destroy capital without the remotest notion of what it is that they intend to destroy. You can smash a house by throwing bricks at it, but the bricks thus thrown will not of themselves assemble into a new house.

What, then, is the popular conception of capital and its functions? Unless we can reasonably agree on what capital really does, we can-

not intelligently either retain or destroy it. I do not know that it is more important that the worker should know what capital is than that the employer should know. Unfortunately, a few employers, who really know better, encourage delusions. Let us look at some of the popular conceptions of capital and capitalists.

In the mind of the worker of to-day, capital exists for one or two purposes, both of which have the same ultimate object. In the first concept, capital is something to be stood up and knocked down with a large division of its loot while down; this is the Bolshevist theory. The second concept is that capital exists to support any one who does not call himself a capitalist; this is the modern governmental theory as exemplified in large grants to those who are forehanded enough to ask for them, or, politics intervening, in small and expedient "unemployment allowances." In the first theory the end is definite and announced; in the second, it is bad form to mention the end at all!

But both conceptions have in common the thought that capital is a more or less definite thing and that it consists of free money which may in some manner be divided up—that a few men have somewhere great hoards of gold which can be strong-armed out of them, to the everlasting benefit of mankind in general, but of the

worker rather more particularly. When the Russian workers took possession of their factories, they thought it most surprising that nowhere on the premises could be discovered a money well from which forever to draw wages. Until Lenin got his printing presses in order, the committees in charge of the various factories found it most embarrassing not to have heaps of ready money always on hand. In fact, quite a number of committeemen were hanged by their indignant followers just because of this lack of provision.

Many of us thought that the war with its great financing, with the sale in the United States of Liberty Bonds, Victory Bonds, and War Savings Stamps would give to the public the idea of what capital really is, and a deal of sincere effort was devoted to showing people in general how an after-life of affluence might be had by instituting a programme of saving. "We have become a nation of investors" was fondly murmured everywhere.

We have become nothing of the kind and instead of the Liberty Bond issues impressing the idea upon the mind of the worker that general prosperity may be promoted through the accumulation of capital by thrift, exactly the opposite idea has been created. The general public did not *invest* in Liberty Bonds—they

bought them to help along the war, or because they thought they had to buy them or lose their jobs.

In a negligible number of cases were bonds taken by wage-earning people in order to begin an investment career. The loan speakers speedily found that emphasis on the investment feature hurt the sales—for only a lunatic would work himself up into a frenzy over saving money. The loans could not have been placed as *investments* and they were not so placed; the appeal was patriotic.

But the reaction has been curious. The workman who before the war had been earning, say, twenty dollars a week, shortly found himself earning fifty or more dollars a week. By the simple process of promising to pay to the Government fifty or one hundred dollars in small payments he found that the Government was able, willing, even anxious to pay him double or triple the wages he used to get. He saw the employer protest against an increase of wage, then grant the increase, and announce record earnings at the dividend period. He did not see how that could be. Money flowed everywhere as though it were water, for to the worker the bond issues represented money collected—actual cash. It seemed that the Government had the money to do anything it chose and also it seemed

that the rich people and corporations had any amount of money, for otherwise how could they make such great subscriptions? Of course these subscriptions were in cash! The belief grew that the Government could do anything regardless of cost, and whole schemes of reconstruction were built on the assumption that capital can be raised without limit. An industrious Ministry of Reconstruction in England worked out a plan in two or three dozen pamphlets rebuilding Britain in all sections where it needed revamping, at a cost of a mere two or three billion pounds. In this country, any public man proposing anything to cost less than a billion did so apologetically, like a man asking for a five-cent cigar at the Ritz. Money could be raised for anything—one hardly noticed a hundred million dollar appropriation in Congress. Everybody was getting, so why bother?

If any amount of money may be had in war, if millions of people may be supported by the Government then, why not in peace? That is the question which the workers and returned soldiers asked, and the governments agreed with them. Abroad they very generally granted employment allowances and gave substantial sums to the returned soldiers. Some of our States have given grants to the men who served and other States have all but done so. And so

instead of capital being something to be accumulated by work and thrift, it became something created somehow by governmental ukase and which could, if it would, give adequate support to all. Instead of teaching people that capital was not merely money and particularly that it was not only a large amount of money, the bond campaigns, with the orgy of government spending, taught that capital had been forced to disgorge (that is the word) for the first time, and that it should keep right on disgorging its "illicit" earnings.

We have, at the moment of writing, a manifestation of this same spirit in this country in the demand by a comparatively few soldiers and a great many politicians that a bonus be paid to those who served in the war on the ground that they made sacrifices which can be compensated in money. That they made sacrifices is not open to doubt, that they are the kind of sacrifices that can be compensated in money is open to doubt. But that a further inflation of the financial system by the issuance of something that may be called money and may be paid to them as money will be any compensation at all is not open to doubt. For that very money which would thus be issued, whether raised by taxation or by bond issues, would have lost a large portion of its purchasing power on the day

of issue, and the drop in buying power of the wages and salaries of the soldiers themselves, not to speak of the country at large, would quickly amount to more than the alleged donation. A large and indiscriminate bonus payment would not give anything to the soldiers but would probably take a great deal away from them. That is only the common sense of the matter, but apparently it is a closed book.

The worker knows nothing of credit or of currency inflation. There is no more financial knowledge abroad in the country to-day than there was when Bryan talked about the "cross of gold." In fact, a currency system is a book as firmly closed to the worker as to the average politician. Legislators see no limit to the amount of taxes individuals or corporations can pay and workers see no limit to the wages that can be paid. In this view stockholders may as well take a turn in contributing money as in receiving it. The suggestion that stockholders should pay wages, if the corporation cannot otherwise afford it, has been seriously advanced. The stockholder to the worker is always represented as a man of means—a capitalist; for propaganda purposes the poor stockholder does not exist, just as in capital attacks, the corporation which does not earn a profit is also non-existent.

For stocks and bonds and capital generally

connote Wall Street and mystery. This is the way they reason: Why should a certificate of stock, plainly marked on its face as $100, sell for $10, or again for $200, unless someone puts down or up the price for his own benefit? Why should there be bargain days or profiteering days in such an absolute staple as money? Who got the money—the millions—made by sending down the price of Liberty Bonds just as soon as people had bought them? Somebody got it, for did not several political leaders of note say so? If capital is not an affair of chicane why should it be necessary for the Government periodically to sue all large corporations? Or the unreasoning may take this tack:

If I buy a share of stock, am I not just giving money to some fellow in Wall Street to play with? No? Then what became of the money I paid for that oil stock which was going to give me an income for the rest of my days?

These questions are being asked every day by workers and, what is more, they are being answered most explicitly. Who is answering them? Not the leaders of industry! And they are not being answered by those who have the interests of the country at stake. The answers are being shouted from soap boxes at the gates of the factories. The I. W. W. street speaker

is there to tell the "truth"; the man the angry foreman unjustly fired last week is out there pointing to himself as a victim of capital. All the disgruntled are there and they are being "instructed."

The questions are answered directly, completely, and in a satisfying way without a parade of erudition. If a worker, walking into a radical meeting, would cry out: "What is this thing capital?" he would have his answer on the minute. If he should utter the same cry within the marble portals of a bank, he would hit the street in the next instant. His passion for the class war might be quelled, for the moment, but his curiosity would not be abated to any degree. The only direct answers come from the radicals. They say that capital is a soul-crushing monster. They cry: "Destroy it!"

And everywhere is a background of popular misconception.

For instance, in a very popular business story of several years ago, one of the characters was a banker. Presumably he was human because he walked and he talked. But a curious singleness of purpose controlled all of his movements; and that purpose was that a certain factory, making some mysterious substance or other, should inevitably—whether or no—yield a certain profit. How, or why, that profit was

obtained the banker cared not—it was his pound of flesh and he had to have it. Whoever he put in charge of the works had to make the money or get out. An absentee landlord, he majestically represented the divine right of six per cent. net, at which every knee must bow. I hardly imagine a story would be accepted as true in which those mysterious beings, known as bankers or capitalists, moved and ate and had their being in much the same way as do ordinary, unclassed mortals. The owner of capital must be frigidly cold; he must somehow earn his money in a non-sequential process of saying "No" to all applications for money and then demanding the return of his money at awkward moments. Such are the historic attributes of capitalists.

But, to-day, few typically perfect living specimens exist. The first-class specimens are entirely in museums or mausoleums. The mantle of arbitrary power, the eye that seemed so clear and cold (but which was really clear and cold because it was the window of vacuity) has descended to the labour leader. Just as capital demanded that a certain wage be paid to it, regardless of what happened, now the leader of labour demands that a certain wage be paid to his cohorts, and he is quite as indifferent as was the capitalist as to where the money in question may come from.

And the one formerly, and the other presently, make their demands, because neither has the remotest notion of what capital is and that a very intimate relation exists among capital and work and wages.

In the public mind—and particularly in the workers' mind—capital itself is confused with corporate capitalization. From loose laws of incorporation and equally loose methods of incorporators, has developed the belief that between the amount represented by the par value of the capital stock of a corporation, and the amount of cash invested in the enterprise, there is no particular relation. Giving an arbitrary par value to a stock is merely a pernicious device to fool the incorporators themselves, as well as the public, into believing that something may be created out of nothing. The man experienced in corporate affairs knows that stock, and more especially common stock, is in many, perhaps in most cases, merely issued as a kind of promise, that if the corporation does earn, over and above a reasonable return upon the money actually invested, then these certificates will entitle the holder to a participation in this additional surplus as a reward for his adventurous spirit. But the only frank expression of this condition is the issuance of stock without par value, which is as yet a most mys-

terious operation to all but the initiated, and so entirely at variance with the public's idea on the subject, that I am not aware that any oil or gold promotion intending to peddle its stock to the unfinancial public, has ventured to issue shares without some amount being printed on the certificate as a par value.

Those who own and manage capital are sometimes inclined to be mysterious about its public expressions. Because one banker's commission on a sale on an issue of bonds may be excessive, nearly all bankers are afraid to admit that a legitimate sum is their due for the marketing of money. If an automobile agent were to offer to buy automobiles of the catalogue value of $1,000,000 by paying to the manufacturer $750,000, with the idea that he could make a quarter of a million on the re-sale, no one would be heard to complain. It would be agreed by everybody that 25 per cent. was not too much to cover the risk in the purchase and the expense in the re-sale, and all of the parties had made a good bargain. But, if a banker were to offer to buy $1,000,000 in bonds of a new and struggling corporation at a 25 per cent. discount, outsiders who heard of the transaction would unite in denouncing it as usurious—quite neglecting the fact that the purchase of these bonds involves a much greater risk than the purchase

of the automobiles; for, if worst came to worst, and the automobiles could not be sold, they would at least have a value as junk, while the bonds would be valueless excepting as to the $5 or $10 which might be had for them as waste paper. It would not be realized that it is infinitely harder to induce a man to buy a paper representing a hope of success than a concrete thing—even if that thing happens to be a poorly constructed motor car.

Where the public, the borrower, and the lender all get into trouble on the transaction such as I have described, is in using terms which do not mean what they really intend to say. The banker says: "I shall take one million of the bonds at seventy-five," connoting that he is discounting. What he really means to say is:

"I shall take the chance of lending you $750,000 and I shall give it to you at once. I shall take this chance, because I know a certain number of people with money to invest. That is, I shall act as an employment agent. My friends can put their money out to work at a peaceful and non-hazardous employment and it will return them 6 per cent. as a wage. The employment which you offer is hazardous, the money that goes with you is very like the man who goes to work in a powder plant. As an employment agent, I could not get men for the

powder factory at the usual non-hazardous occupation wage; I can get them by paying a higher wage. It will cost me something to get them and also I must have a profit for my services and for my expert knowledge in knowing where they are. In the case of this money we must increase the wage of the investor's money by paying him interest on more money than he pays in and paying him a premium when the bond is due. That is, you will pay him interest on $100 for each $85 that he puts in, and you will pay him $15 (that is, the difference between 85 and 100) when the bond falls due. For my own services, I shall charge the investor $10 on each $100. You will get $75 and pay interest on $100. You do not pay me anything now; my fee first comes out of my profit on the sale. Of course, you will pay for everything when the bonds fall due."

But how many people regard the underwriting of a bond issue in the way that I have had this banker describe it? He does not so regard it—he thinks that he gets $100 for $75. The manufacturer thinks that he is paying an outrageous premium for his money when, as a matter of fact, he presently pays nothing for the money, but only agrees to pay eventually for more than he got. The general public and the worker imagine that somehow this trans-

action is tainted with fraud and it would be held up as an example of how, what I believe is called the "moneybund," operates.

But a purely legitimate transaction such as this, might, with the same figures, be a wholly illegitimate one. If, for instance, the company issuing the bonds were a sound and going one, if the public had scarcely to be sold the securities, but were, on the contrary, eager to buy them, and yet, in spite of this fact—or rather because of it—the banker and certain of the officials of the company conspired to get the issue at 75 and then immediately resold at 98, dividing up the difference among themselves, then the transaction would be morally, if not legally, fraudulent. This "deal," if it got out, would be anti-capitalistic food and yet it has really no concern with capital; circumstance simply made it more convenient for the directors to steal from the bond issue rather than from the company till. That at one time many persons addicted to this particular form of larceny called themselves financiers, did not make them financiers—although it did make them capitalists.

But the point is this; instead of conceiving of capital as a force, as an absolutely indispensable part of the wage system, the public confuses it with the gyrations of various bits of paper that are said to represent capital. They confuse the

legitimate increments with the operations of the stock exchange.

Many a banker will imagine, if a stock which was issued at par is selling on the exchange at 200, that, because of the sale, some additional capital has come into existence; of course, it has not unless the assets of the corporation have doubled. For instance, in the "corners" which now and again happen when a stock control is sought, the temporarily high values of the stock do not mean any addition to the intrinsic worth of the corporation involved and neither is the aggregate wealth of the country increased—the operation is simply one of readjusting the height of the piles of money on the counter.

Right on the face of the matter it is very natural that the false idea of capital should prevail, just as a false idea of combinations of capital prevails. It is the stock market manipulator who comes into the public eye as the manager of capital. It is the trust which devotes itself to suppressing competition, rather than to making and marketing a product, which is the representative of combinations, although every student of business and finance knows that trusts are much more profitable when conducted as business enterprises rather than as instruments of violence.

The American public, and the public of the

world generally, has been taught very little about business, and nothing at all about capital by those who believe that production for profit and the capitalistic system are the best for the world. What teaching they have had has been purely objective. The worst specimens have always been held up as types. The capitalist is never the man who takes a sporting chance with his money; he is represented as a fat and ruthless individual, always winning and never losing. A trust is pictured as almost the same kind of an animal. It is true that some capitalists and some trusts at times remind themselves of these pictures—but then they are not types, they are oddities.

The Bolshevik is glad to teach. He has spent more money in the last five years teaching the class war than all the proponents of capital have spent in teaching since the world began. It is an extraordinary, though seldom realized fact, that practically the only apparently logical instruction on the fundamental financial basis of our system of society comes from Social Revolutionists. The fundamental precept of revolutionary socialism is that capital performs no useful function. They do not argue that matter. By frequent repetition they have established it as a fact. The best propaganda never seeks to prove its probably unprovable fundamentals.

Starting with an untrue premise, perfectly logical deductions may be drawn and the skillful propagandist will involve an opponent in debating the unassailable logic of the deductions and keep him away from the wholly untrue assertion or premise upon which it is all founded.

For instance, the social revolutionists take for granted, just as the public takes for granted, that a capitalist is a person with a large amount of money and forms a distinct and separate class; that labour is another class and that the two have nothing in common. We know this to be untrue. Even a revolutionary society, if it has funds in the bank (which it usually has) is contributing to the working capital of the country! Yet, if we plunge into a discussion with an advocate of the class war, and do not start with a demonstration that the two classes are not separate, then we must assail such an argument as this taken from an I. W. W. pamphlet:

"When the worker enters the factory he creates values. He has no control over the wealth he produces. The worker is paid the price of his labour power (wages), and the commodities produced belong to the capitalist class. The worker has no more share in the goods he produces than the coal in the furnace or the machine that helped to make them. What the

worker creates for himself is his wages. His wages are *not* determined by the price that the product of his labour realizes when sold on the market. Indeed, the commodity produced by him may not be exchanged for months after he has received his wages. Here again we observe that there is no direct connection between what labour *receives* in wages and the value of the commodities which labour *creates*.

"The capitalist class, however, gets wealthier every year. The surplus which is annually created is *not* created in exchange, as many economists assert. One capitalist may swindle another capitalist; what the one gains the other loses. But *that* does not *add* to the value of the wealth in society. Besides, the capitalist class, as a class, cannot swindle *itself*. Swindling does not produce wealth. The continually swelling volume of wealth can proceed only from the source of all economic wealth—the application of labour to the resources of nature. Labour alone creates value. All surplus value, from which come rent, interest, and profit, represents the difference between what labour receives in wages and what labour actually produces. Every effort that the workers make to increase their wages means a decrease in the capitalists' surplus value. And every effort that the capi-

talists make to lower wages, to lengthen the working day, or to speed up production, is an attempt at lowering the relative wages of labour. The cheaper capital can buy labour, the higher its profit; the higher labour can push its price (wages), the lower profits. Thus between profits and wages there is an antagonism which, in its turn, produces the class struggle between capital and labour."

Or take this by Daniel De Leon from the "Preamble of the Industrial Workers of the World":

> The workingman does not stand upon a footing of equality with the capitalist; he is not of contracting mind and power with the employer. The latter holds over him the whip of hunger that the capitalist system places in the hands of the master, and with the aid of which he can cow his wage-slave into acquiescence. Why, among themselves, and even in their public utterances, when anger throws them off their guard, the apologists for capitalism blurt out that "only the lash of hunger" can keep the workingman in fortune in this or that adventure because his money is worth 5 per cent. or 6 per cent to him anyhow, when, as a matter of fact, he must know that money is worth only what it will return, and when he says money is worth 5 per cent, what he really means is this
>
> I think that I can buy my way into an established enterprise, be it a farm or a factory, which has sufficient earnings to pay me 5 per cent. interest on my money.

Or, perhaps, he may mean that the Government or some municipality of unquestioned

soundness will pay a similar amount for the privilege of using the money.

And yet we all know that, if all of the money were withdrawn from business and agriculture, and sought to be invested in government securities, the Government would not be able to pay the interest upon its securities, because it would have nothing to tax in order to raise that interest. So far has this fallacy that money is worth a fixed amount gone, that in some systems of corporate bookkeeping, and in many partnerships, an interest on the capital investment held by the owners themselves is charged as an overhead expense, just as though the money had been borrowed!

Capital is worth exactly what it will earn and not a penny more. It is in the same boat with wages. The banker who grandly asserts: "This proposition is impossible; capital will not stand for any such arrangement" is talking sheer nonsense. What he means to say is this: "As an employment agent, I have certain applicants with money to invest if I can promise high wages for their money. You do not offer high enough wages to attract them, for other people are offering as high wages for less work." But, instead of saying this, he talks in the terms of the Bolsheviki; the jargon of the financial world is not less absurd than that of the Marx Socialists.

Before corporations became the common vehicle for the use of accumulated savings, that is capital, it might have been proper to talk about the "employing" as distinguished from the "employed" class. But, to-day that distinction does not often exist. The president of a large corporation commonly owns stock in the corporation which employs him, but he seldom owns a large amount of that stock, and usually he derives a greater income from his salary than from his stock holdings. Primarily, he is a worker for wages as distinguished from a *rentier*. Usually he will have more to gain from an increase in salary through an increase in the company's business, than he will have from an increase in the stock market dividend. His position is not as far removed from that of the day worker as sometimes he imagines it to be; he gets his employment from capital rather than from the use of capital, but because he derives an income from both, from capital as such and from involving capital in the business cycle, he recognizes, more or less, that capital is not an abstract thing—an unknown and mysterious power that stalks in the night and should be destroyed.

The president, more likely than not, has received no education in economics; he has learned that his own income and the prosperity of

capital are bound together—that in making money for the corporation he is not earning for a sullen despot, but indirectly for himself and others like him. He has found out what capital is by getting his fingers on some of it.

Chapter IV

The Rivets of Society

THE radical agitators, the I. W. W., and the growing number of people in this world who would set up the rule of the proletariat, have a remarkably easy propaganda, with a simple but most effective prescription. It is this: tell a crowd that they are not getting their just rights, that something is being withheld from them which they should have, that they are the real working force of the world, that all things come from them, and that instead of cashing in according to ability, they are but slaves to a sinister system called "capitalism," and that the way to gain all of the good things in the world, to possess what each individual may want, is not to work for, but simply to take from capital.

Nearly everyone has a smarting sense of some injustice done him. It is nice to bundle up all wrongs and send them to "capital." It is the exquisitely human course and the solution suggested is so beautifully easy that the wonder is not that Bolshevism has gone so far, but rather that it has not gone farther.

And especially is it easy to put over the "direct action" ideas right now. Lenin and the Bolshevist leaders know perfectly what capital is; they would abolish the use of money and the private ownership of the means of production. They quarrel with the ownership of capital, not with capital. They would do away with the money idea of capital, but they are far too skilled in the ways of human nature to go counter to the world-old habit of having a medium of exchange. Instead they confiscate goods for the benefit of the State and also gold—for gold may be used outside of the borders of Russia—and then teach the uselessness of money by issuing it just as fast as the presses will turn it out. They know full well that the value of a national paper currency depends wholly upon what it is covered by and that it will not be covered by anything at all, unless it is issued in direct ratio to production. They are issuing money without regard to the fundamental laws, so that soon there will be so much of it that it will represent nothing at all and people will stop thinking in terms of money. There is real propaganda!

"It would be nonsense," says Lenin, in effect, "to tell people that money is useless when any one may go down to the market place and buy what it likes provided he has the money.

But if money is rendered useless by over-issue, the people not understanding that the fault is not with the money but with the way of issuing it, will put the blame on money as such and be ready to abolish it."

And therein he teaches a great lesson to every man who believes in capital. It points the way to the countering of his argument—and using Lenin as the personification of Bolshevism, as he is its brains—his is the big argument in the world this day. He says that money is useless and right away dramatizes his statement by showing that it is useless. The man who advocates capital merely advocates and then stops. He starts and stops with words.

But how is Lenin being answered? We all know that capital accumulates only as production outstrips consumption. During the war years consumption has been outrunning production—we have not been producing, but destroying. Although the world's factories have been working night and day, a good part of what they made was to destroy and to be destroyed while destroying. England and the United States were the big producing countries, but it is doubtful if either country has as much real wealth as it had in 1914, in spite of all the production. But without trying to answer the

question as to England and the United States, certainly France, Germany, Belgium, Austria, and Europe generally are poorer in real wealth, than before the war. But everyone of them has much more money! And every one speaks of this money just as though it were wealth—as though it were capital—as though great sums of new capital had been created, when all that has been done is to use a new kind of arithmetic. The governments have just demonstrated conclusively to the man who thinks that capital is money, that not work alone creates it, but a very fair job may be done with the pen and the printing press, and that, really, work is not so important as it was cracked up to be. A man doing less work than ever before (for the workingman is not over-exerting himself in these days) finds himself with a hundred dollars in his hand—and in all of his previous life of hard work he had never been able to hold a hundred-dollar bill and call it his own. If money comes so easy, why then work?

Suppose you say to him: "Well and good, but unless the establishment that paid you that money is taking in so much more money than it pays out, that it can renew the wear and tear on the machinery and buildings and pay a wage to the capital invested, it will not continue to pay you money. That money which you hold in

your hand looks just like the money you had in 1914, but it is very different money. A dollar of it will not buy as much as it used to. Do you know why?"

You cannot get that man to recognize why the purchasing power of money is less—why we have so many dollars that buy so little—without letting him know what capital is. And here all of our nomenclature is in favour of the Bolsheviki and against the proponent of the fundamentals of the present system. You say that capital does not mean the corporate terms "capitalization," but that in the case of a corporation its real capital is its assets and not the amount of its capital stock. Then he answers why do so many legislators and public officers declaim about the evils of "combinations of capital" and cite the wealth of individuals or the capitalization of companies in support? You have to tell him that human nature demands an anthropomorphous evil—something with personal horns on it—and that putting a man into public office does not make an economist out of him, whatever else it may make—that you can put a crown on a donkey and make him a king, but the investiture does not necessarily make him wise. All of which is unconvincing in the extreme. And suppose you have made this argument and convinced your hearer and then he

reads something like this from a financial paper of high standing:

A Wall Street financier now lies sick in his bed from terror lest the millions be made out of a property where he had a trusteeship relation shall be uncovered

There will be many more sick beds for Wall Street financiers if some of the things that are now hatching in the Curb nests under the wings of the New York Stock Exchange houses chip their shells and spread the feathers that are expected to carry them quickly upward.

We hear of a concern that is dickering with one set of financiers over a sale for less than five millions, while another set of financiers is bidding nearer ten millions, with prospective promotion profits beyond the ten millions, from the flotation to the public. The owner of the property knows it is not worth five millions and prefers to sell at less than five millions as an honest business venture rather than be a party to a flotation to the public at over ten millions.

We hear of another property to be purchased for two millions, capitalized at nine millions, and then to be sold to the public at more than ten millions.

There is another concern that has been floated on the Wall Street Curb where the cost was below $8 per share, the underwriting price was above $30 per share, and the whole was floated upon the public at above $50 per share—and there it still floats.

Another has just been floated into public view at above $35 per share upon the New York Curb and the underwriting price in the financial office that floated it was less than $15 per share

On a previous Wall Street book, three underwriting syndicates tumbled one over the other in promotion of the same property, and when it was floated upon the public the financial people who were responsible for it

stood in terror for some years lest their deeds be revealed. When investigations pointed their way, they spent many restless nights

This buying of legitimate business properties for a million and floating them upon an innocent public at nearer ten millions has got to cease, or there will be an explosion and calamity in Wall Street that will shake the seven pillars of the Stock Exchange.

The Stock Exchange should demand that every proposition promoted by one of its members show forth, as under the English law, to the public and the people who are invited to subscribe, the promoters' profit and the real assets and liabilities of the property.

If the fundamental relation between labour and capital is sound, if the present basis of society is reasonable, then why cannot its argument be put forth with even a fraction of the potency of the anti-capitalists? Instead of attacking revolutionary socialism as organized robbery of the thrifty, for the benefit of the shiftless, it is answered by more or less insane denunciations and by investigations conducted through Congressional and other committees, who parade all of the commonplaces, and give anarchistic theories many times as much publicity as they would otherwise have had. The remedies suggested are deportation and jail.

The favourite answer to Bolshevism is to call it Russian and pro-German, which opens the way to a very easy solution, for if the thing is Russo-

Teuton, then all you have to do is to shut out Russians and Germans.

You can deport the holders of ideas, but you cannot deport the ideas, and about all that has been done in this country up to date in a supposedly anti-Bolshevist direction is first thoroughly to disseminate a great deal of radical propaganda in a much more complete way than the propagandists themselves could devise, and secondly to show such a fear of the creed as to convince a very large number of people that there is something to it after all and that it should not be dismissed just as wild talk.

If a man yells, "Down with the Government, follow me and you shall have peace everlasting!" the crowd will probably jeer, but if at the very moment that he utters those words you haul him down from his soap box and clap him into jail, you convince that crowd that there must be something in what the fellow says, or otherwise the authorities would not be so anxious to keep him from saying it.

If one can only invoke enough unreasoning prohibition of any idea, then that idea is certain to spread, and what we have done in the case of Bolshevism to-day is to persuade a great number of workers that Bolshevism is well worth investigation. And it is further to be remembered that the anti-Bolsheviki have told so many lies

about what has actually happened in Russia—lies such as the nationalization of women—that the radical speakers find little difficulty whatsoever in demonstrating to an audience that everything which has been said against Bolshevism is false and that Russia to-day is a paradise.

To repeat, the soap-box orators have the easiest propaganda in the world. They are teaching that something may be had for nothing and that is what most people like to hear. But, if even a tiny measure of sound economic thought were abroad, the idea that something might be had for nothing would be received as derisively as a man who advertised to carry passengers to the moon in a perambulator.

It does not require any deep-seated erudition to discover, for all practical purposes, what capital is and what capital does.

For instance, take the prevailing idea, preached from every soap box, that capital pays wages. Every thinking man knows that it does nothing of the kind. Wages must be paid out of production; what capital does is to provide the means for production.

If the worker knew that production alone pays wages and that capital properly managed facilitates production, then he would not so gladly embrace the doctrine now so extensively advocated in England, that in the future, "work

is to be a mere incident to life" and play will be the big thing. He would know that the I. W. W. orator was talking nonsense when he declared that one hour's work a day would be sufficient for all the needs of the world, and that after the worker had put in the single hour, all the remaining fruits of his labour went to capital. He would know that capital rarely consists of money and that, when it is money, it is non-productive and of no use to its owner, even though that owner, with equal ignorance, asserts that the money is worth six per cent. A very slight knowledge of what capital is and does would have avoided the present coal situation in Great Britain; it would have taught the workers of England that, in advocating the stand of the miners which resulted in an addition of six shillings to a ton, they were taking bread out of the mouths of themselves and their children, and it would have made unnecessary this pointed statement to the workers of England by W. A. Appleton, the English trades unionist from whom I have previously quoted:

> The price we pay for coal will be measured by the number of unemployed and the rates of sickness we shall have to deal with in January next, and by the cost of food and raw materials during that and the ensuing months.
>
> There are some who hope to escape the consequence by means of Government subsidies. Their hopes are

> futile. The State has reached its limit in this direction. Already it subsidizes bread (fifty millions of pounds), railways (sixty millions), and housing (amount undetermined); and it has on its hands about a million men whom the war has left derelict. Any further grants will but hasten the bankruptcy of Britain. Yesterday we lived on our savings and our earnings; to-day we are living on credit; to-morrow, if we live at all, we shall be living on charity. That is the price we shall pay for dear coal and dear transport.
>
> Is there any way out? There is, but it will be via the mine, the mill, and the workshop, and not via Westminster. Work, rather than politics, will save the situation, though it will not save the suffering which the past three years' economic foolishness has stored up. Revolution, if you like; strike, if you like! But neither revolution nor strike will fill empty stomachs, nor clothe the unclothed bodies, nor provide houses. These will but add to the price we pay for coal.

But the workers do not know what capital is, for the most excellent reason that there has been no one to teach them. The study of economics in America has been shunned as though it were one of the black arts. The whole economics of business has been shrouded in mystery—probably because for so many years this country took an abundant living out of the ground. Nature was always at hand to take up the slack and in not a few instances fortunes fairly welled up. Coal Oil Johnny was only the living caricature of the American business man who met suggestions for the setting up of reserves, and in

general the proper accounting of what he had and did with a reply not unlike that of the workmen of to-day, when asked where wages without work could come from:

"I'm getting mine, ain't I? I should worry." Why then blame the worker for the same sort of expression?

We have relied greatly upon the sanctity of property rights as a substitute for the teaching of economics. Those who have taught this sanctity with the greatest earnestness have been those who have had the greatest amount of property. So thoroughly did this sanctity impress them that they deluded themselves into thinking that rights of property were greater than the rights of humanity—more particularly when the rights of property were theirs and the rights of humanity belonged to someone else. Now there is evinced considerable surprise that these teachings of the rights of property have not impressed those who have no property, nearly as strongly as they impress the property speakers. There seems to be no comprehension, to use the words of a recent magazine article, that:

> The most natural thing in the world is for the man, whose work permits him only to exist, to turn to something which promises existence without work. Of course, the second line leads to dishonesty, but the importance of being honest varies with the point of view. The man who has

nothing does not fear the thief Preaching the importance of property rights to those who have not property is about as effective as preaching to an Eskimo in purest Hottentot. In order to be understood we must have some conception in common. Even if one could talk mules, it is very doubtful if a mine mule who had never seen the sky would be deeply interested in aëronautics.

To the man without property the demagogue cries:

"Come with me and you shall have property," while the capitalist, on the other side of the street, murmurs, almost inaudibly:

"Come with me and you may have a look at my property."

Is there any reason why the demagogue should not get the audience?

I have yet to know of any campaign, of any sustained, or even any sporadic attempt, to show to the working man, with demagogic vehemence, that his future welfare, that his progress in life, that the comfort of his wife, and that the careers of his children, depend upon his getting into the capitalistic class just as quickly as possible. That being a capitalist is not a matter of abdominal girth; that the *amount* of money has nothing to do with the classification; but that being a capitalist is just a matter of having money go out to work for you and bring home its wage.

The idea of thrift has been preached, but more commonly in a negative rather than a positive way. More emphasis has been put upon the self-denial than upon any other feature. It is the moral side—the discipline of character through thrift and all that sort of thing—which has been fondly dwelt on, rather than the fact that there are two ways of making money; the one by your own personal exertions, and the other by having money work for you.

You cannot take away the desire to rail at capital as such, unless you destroy the mystery surrounding it. The best way to destroy that mystery is to have every man, woman, and child a capitalist. If there is such a thing as a capitalist class, then let us all be members of it—we are practically all of us members of the working class anyhow. It is essentially a matter of education (which word is among the most abused in our language). But we can educate backward as well as forward.

And it is the backward-looking sort of education that probably the majority of people have had on capital in business. They know it only from the lurid pictures of the agitators, and when they do see the thing, they are mightily surprised to discover that it stands for something very different from what they thought.

The president of the company, whom I in-

troduced at the close of the last chapter, began with the idea that capital was something associated only with big houses, and fat, bejewelled women. He ended by realizing that capital is not a dollar but a tool—a means for getting on in the world. That the more he had of it, the greater were his own personal capabilities, because he could provide himself with bigger and better tools. How did he learn all this? Not certainly from books. He learned it from his own experience, from being introduced to what capital is, and mingling with it instead of standing afar off.

And such is the only way that people in general can receive an education in economics. They will not get it out of books. They have to be taught; they have to be taught by providing them with the ways and means to become familiar with what the ownership of capital means, by owning some of it themselves. It cannot be expected that people will care about the preservation of society unless they have a worth while interest in it.

And, that this is a fact is shown conclusively by the anti-Bolshevistic record of those countries whose peoples have something at stake, as contrasted with those countries where the most of the people have nothing at all at stake. In those countries where the people own,

Bolshevism has made no progress. Where they do not own, but merely work for others, and live from day to day, Bolshevism is a welcome respite from labour.

First take Russia. The average Russian has nothing; a few have a great deal. Savings deposits give an idea—not exact but symptomatic; the number of depositors was only slightly more than nine million out of a total population of 176 million. Spain has only about half a million depositors out of twenty millions of people.

Take these figures in connection with the progress of Bolshevism. Russia, although the average deposit per inhabitant is by no means the lowest in the world, has a very small number of depositors as compared with the numerous population—roughly only one person out of twenty has any money at all. Those who know money only by hearsay greatly outnumber those who know it by touch and smell. Is it at all surprising that the twenty without property enthusiastically grasped at taking away the money from the one?

It is further to be noted in the progress of the proletariat in Russia that, although the division of the large tracts of land was held to be a splendid idea, none of the small holders are recorded as coming forward cheerfully to chip

in their land so that a complete new deal might be had all around. Communism in practice seems to mean taking what the other fellow has, while keeping a firm hold on your own.

Spain's *per capita* savings are very low and the distribution among the inhabitants is even worse than that of Russia. Consequently, one would expect to find, and does find, Spain so seething with Bolshevism that, had she entered the war, undoubtedly the organized government would have fallen. Spain needed only a taste of the rigours of war to translate discontent into rebellion. As it was, she kept out of the war and managed, by high wages drawn from the sale of supplies to the Allies at exorbitant prices, to etherize the people for the time being. But the Spanish people are refusing to stay etherized.

Hungary's *per capita* deposits are four times greater than those of Russia and one in every ten persons has some kind of a bank account. And, although in the present state of the Hungarian currency those bank accounts are well nigh worthless, that realization has not as yet dawned upon the people. They solidly resisted Bolshevistic rule. The coup of Bela Kun was planned and financed in Russia; it had behind it all the cleverness gained in the Russian experience; it was altogether the best-planned thing of the kind that the world has ever known.

By all calculations the people beaten in war, half-starved, and frantic in despair, should eagerly have embraced the proletarian doctrine. But they did nothing of the kind. Too many of them knew capital by ownership—not by hearsay; the owning minority constituted a sufficient leaven in the mass of the populace to cause them to resist the movement which had as its final object the destruction of all capital. Where Lenin and Trotsky gained Russia almost with a gesture, Bela Kun, in spite of the terrible condition of Hungary, in spite of having a splendidly organized propaganda behind him, never really gained a foothold.

But the remarkable example of the bulwark of savings is Germany. We heard a great deal about revolution in Germany; we have all of us read lurid accounts of the activities of the Spartacists, of the Soldiers' and Workers' Councils everywhere set up, of the capture of Hamburg, Bremen, Essen, Dusseldorf, and Munich and of the imminence of an out and out proletarian government for the country. Germany is the home of Socialism. The Marx theories which dominated the Russian upheaval were born in Germany; the Germans winked at and covertly aided Lenin and Trotsky in their final descent upon Russia. Hundreds of thousands of their soldiers were exposed to Bolshevistic

propaganda; their people were half starved, their currency had depreciated, and *morale* had sunk very low. But, in spite of all this, the Spartacists, who correspond, chapter and verse, to the Bolsheviki, never gained anything that might be called headway in Germany.

The accounts which we received were grossly exaggerated; I travelled the length and breadth of the country when it was supposed to be in revolution. There was not at any time before or after the Armistice, a strike even approaching the importance of the Winnipeg strike; there was never the slightest danger that proletarian rule would be set up in a permanent way. Of the various well-planned attempts, the most successful—that in Munich—lasted less than a month. Why should Germany, with every pro-Bolshevistic factor present, have been able to throw off the rule almost without effort?

Here is one reason. Germany, with less than 70 million people, has more than 25 million depositors and the average deposit is the highest in the world. There is a savings account to every three people! The Bolsheviki had almost nothing to work on. They got nowhere. There were too many people inside looking out to bother with those outside looking in! And the workers who had no savings were mostly members of trades unions, and they were equally against the

Spartacists—for the Spartacists wanted the union funds.

The Emperor of Germany, whatever his other hallucinations, knows his own people, and of them he is reported to have said:

> Bolshevism can never gain a real headway in Germany for two reasons. The first is that the Germans like to work, and the second is that almost every man and woman has some money saved, and that they will not surrender. The Russians do not like to work and they seldom save, and therefore it is perfectly natural that they should become Bolsheviki.

Take the case of Holland. It is not generally known that, outside of Russia, one of the strongest of drives to overthrow the government and set up a proletariat was made in the Netherlands. The Hague has always been a sink to catch the political riff-raff of the whole world; the radicals of Europe drifted into Holland and they planned to take over the government. It does not need more than a couple of hundred armed and determined men to seize the seat of any government, cut all means of communication, and occupy the railroad stations. A few determined spirits will quickly frighten thousands into joining them and, in addition, there is always a considerable floating mass of population waiting around for something to turn up. A coup requires determination—not numbers.

The Dutch are a thrifty nation; they do not put money in the banks or savings institutions, simply because they have never gotten into that habit. Instead, they have deeply ingrained the investing and speculating habits. That Dutchman is poor, indeed, who is not possessed of at least a few certificates of stock in something or other, and the Amsterdam Exchange is, in proportion to the population it serves, the most active in the world. The ordinary middle class Hollander will have all of his personal fortune either in cash in his pocket or in securities in his strong box; unless he is a man of great means, or his business requires a certain amount of discount, he will not have a bank account. He has figured out that he can invest as well as the bank can and, therefore, why should he take a low rate of interest from a bank in preference to a high rate which he can get by buying stocks, bonds, or commercial paper? Whether his financial habits are good or bad is outside the point here, but it is a fact which stands out that every person above the age of ten in that flat, green country, which we call the Netherlands, knows what capital is. He knows that it is not held by any one in particular, but by everybody in general. For he has himself sent his own mite, perhaps only a hundred florins, to the Dutch East Indies, and has seen it come back

greater than when it started. He does not waste his time quarreling with phantom windmills, he does not attack capital as such—for he knows what it is. If those to whom he entrusts his money are faithless, then he attacks them as individuals, and not as a class. For, in Holland, more than in any other country in Europe, is capitalism democratic.

Look at what happened. The Bolsheviki made their plans; they made great headway with the boys composing the army—for guarding the border had become most monotonous and the army was discontented. It looked as though the radicals would gain control. But not a bit of it. The plain people gathered around the banks as defence headquarters; they organized military companies of their own, thoroughly armed and equipped; they put up private wireless stations so that communication could not be interrupted. In any house that had a window commanding a vital stretch of street, they planted a machine gun or two. And, having done all this, they felt themselves perfectly qualified to discuss any plan by which their possessions were to be given over to the Communists.

It is scarcely necessary to add that something most convenient happened to the revolutionary schedule and that the revolution did not arrive.

Take the case of England. The English worker is not thrifty. Years ago he had no opportunity to become thrifty, because he scarcely made enough money to live, let alone to save. But now that he is making more money, he is better pleased to work only long enough to provide sustenance and a little over; instead of working the extra days for his savings account he prefers to spend them in idleness. He hardly knows what saving is. He has never been introduced to it. Is there any reason for our wonder that Bolshevism has made such startling progress throughout England? Or that the miners, the ship workers, and other large classes, are closer to the Social Democrats than to the Trade Unionists?

The extreme radicals of England—the people who believe in direct action—and preach it with eloquence, are not foreigners. Most of them are Scotchmen; the number of foreigners in the English working population is so small as almost to be negligible. It is worse than foolish to talk about radical socialism as a foreign product. Discontent is indigenous to all soils and it only needs someone to raise the bogey of capitalism to centre that discontent against capital.

Capitalists may be individual bogeys. A capitalistic dictatorship may or may not be worse than a proletarian dictatorship, but that

is beside the point and is a deal like deciding between hanging and electrocution; the normal man does not have to decide between either. What we do know is that those countries where the holdings of capital are widespread do not want any form of communism, while those countries where the people know property only as something for them to respect from afar, rather welcome communism, for it to them represents a getting and not a giving. Perhaps this would seem to put the formation of society on to ultimate selfishness and to quite abandon idealism. Unfortunately idealism reaches its maximum expression when the idealist is dealing with something that belongs to somebody else. But without pursuing the inquiry into what is the animating force of society it is surely quite logical to hold that a full knowledge of the exact system under which this country is now living—quite apart from the individuals who happen to be most prominent in the system—is prerequisite to deciding that some other system is better. Would it not be well for as many as possible of us to know what we are now about before we try something that is as yet unproven?

And it is equally evident that a person does not become an understanding part of the capitalistic system unless he has capital; nearly everyone

knows the system from the worker's side, for nearly everyone is now or has been a worker. But by no means all of the people—in fact very few workers—know the system from the capitalistic side.

Is it feasible for everyone to know both sides? Would it be possible without making an arbitrary division of the world's goods to let those who will become capitalists? I say "those who will," for those who will not, those who prefer to be drones, cannot be taken into account. Communism would compel all to work; capitalism says "work or starve" and then provides that those who cannot work may be saved from starvation. In no conception of society can the drone exist in complete comfort; even where inherited wealth seems to banish work, nature usually steps in to make the inheritor's lot none too happy.

It is possible for all who will eventually to have an amount of capital in accord with the ability and zeal which they show, but it is not possible to have grand division if for no other reason than that the productive wealth of the world—the capital—is not in divisible form. You might for instance tear down a great factory and each worker might take home a basket of bricks and a few machinery parts, but after such a division the workers would all be

poorer and not richer for they would have lost the means of production. But suppose a division were possible, would it be wise? Would the people be better off?

The universal experience of industry (to narrow the field) is that giving away money induces a desire among the recipients that the donations be continued and also opens up the vista of a life without work, but that it does not give any notion of capital or property—and for this reason:

Capital is generated only by an excess of production over consumption. Unless the individual thus gains his own capital, he will not know what it is that he has. Making a gift to a man—giving him something that he does not even remotely earn, whether it be in the form of a bonus not related to work or a share in profits which he did not help make, promotes spending but not ownership. Saving is not induced by giving—many amiable souls to the contrary.

Capital is generated by thrift and by nothing else. Thrift is not merely an abstract virtue. The whole system of our society is founded on thrift.

Any effective teaching of thrift must include the provision of an easily comprehended way to practise it. If we teach thrift both in word and

in deed, do we not also put steel rivets into the whole framework of society?

For Marx himself declares that his theories cannot gain ground in any community when wealth is diffused. The great enemy of Bolshevism is the bank account.

Chapter V

The Man Who Has The Money

THE royal road that leads forward to a happier world is the road of work. The roads which are advertised as royal, but which are not the roads of work, are hard going. As long as people must eat and wear clothing and live in shelters, someone must work to provide those things. They will not grow of themselves and neither will they grow out of the finest of phrases—not even out of the most mouth-filling of the revolutionary phrases. For money does not supply our wants; it has to be exchanged for something. A man with a million gold dollars adrift on a stormy sea will starve to death, just as readily as a pauper under the same circumstances. A member of Parliament put this whole matter very well when he said before the Consumers' Council:

> Money is merely a convenient counter by which we measure values. We are at the present time only exchanging scraps of paper to serve as currency and that fact might help us to realize that the wealth of a country consists not in the little stores of gold which are required for

banking purposes nor in the quantities of bank notes or treasury notes which serve as a medium by which goods may be conveniently exchanged; but in the actual commodities which are annually produced by work. Every year so many articles necessary for our comfort are being produced and always there is the contest being waged between the employers and the employed as to the share of the wealth which is being produced. If, instead of saying that the railway man or the coal miner wants another 10s a week, we said the railway man or the coal miner wanted another suit of clothes, a new carpet, an extra pint of beer a day, and a new pair of boots, we should see at once that the first step toward giving him what he wants is that more clothes and boots and beer and carpets must be produced and produced at once. Under the present vicious system the wage-earner by threats of strike or industrial disturbance gets his 10s and goes out into a market where there is a scarcity of boots and clothes, and beer and carpets, expecting to get something in return for his extra money. But the only effect of the new and increased demand for these commodities is to put up the price and so the workman, in spite of his increased wages, finds himself no better off than he was before. There is only one way out of our present troubles and that is to increase the world's stocks of all essential commodities—and that can only be done by work.

Our course is fairly simple of statement. If we have more evidences of wealth than wealth—balance can be restored by providing more wealth, that is, more production; for although the evidences of wealth can be created at will, wealth itself comes only through production.

If we have a given amount of the facilities for production, human and otherwise, then we can

get more wealth by intensifying the use of those facilities—by cutting out waste of material and effort and then, as we gain a surplus, by enlarging the facilities.

An increase in production will result in putting more goods into the world to distribute and therefore in lower prices. More goods at lower prices promote a better standard of living. One does not live on money, one lives on what money buys. If we have less and not more production, we shall have increasingly higher prices and shall not be able to attain a currency medium in which to pay wages. Unless the balance between wealth and credit (or currency) be restored, the currency must shift rapidly in values and give no standard for the valuation of services.

We need new economies in industry; we need better methods in industry. And the speed with which these improvements can be brought about depends wholly upon the amount of capital which will be available.

We have to go back over the road that we have travelled. We have been increasing the facility for making purchases faster than the facility for making goods. Now we have to increase the facility for making goods faster than the facility for making purchases.

Where is the capital to come from?

In order to develop hitherto undeveloped regions in which to dispose of some of our production, we have to increase the buying power of those regions by investment in them.

Where is this capital to come from?

Before the war the nation invested about five or six billions a year, according to the findings of Professor David Friday. (This seems more reasonable than the former estimates of two billion of dollars a year, because Professor Friday takes into account the corporate savings, that is, the improvements and the like, paid out of income.) The enormous task of rehabilitating our finances, that is, of catching up with credit, involves not only the planting of foreign markets with money so that we can harvest the buying power, but also the expenditure of more capital for construction than in normal times. We have to provide the most economical modes of doing business. That takes money. It is capital investment which we need. Have we the real money?

Our national income was estimated for 1918 by Professor Anderson at $73,400,000,000, which is probably as nearly right as such an estimate can be. We do not know exactly how much of this is distributed to the persons actually producing it. Neither do we know how the capital which permitted the production of this vast

amount was distributed. We have no trustworthy figures on the distribution of our wealth. It is true, the oddly composed and wholly absurd Industrial Relations Commission several years ago evolved out of the circus which it conducted at Washington, a conjecture that two per cent. of the population held sixty per cent. of the wealth. But that view was arrived at without statistics, without logic, and apparently by a process of emotional necromancy.

We can by analogy get some idea as to the distribution of the income from figures which Doctor Bowley, Professor of Statistics in the University of London, has recently made up on the English income before the war. As an example of the loose thinking which goes on, and especially by those who are fitted with conclusions in advance, as was the case with our own Industrial Commission, Mr. Sidney Webb, in the Principles of the Labour Party (England, 1918) said:

> Two thirds of the population, that is to say the manual working class, obtain for all of their needs only one third of the profit of each year's work.

Doctor Bowley, on the contrary, arrives at the conclusion that sixty-two per cent. of the product actually goes back to those who produce it and he reasons thus:

The first idea of a workman who realized that in his industry profits and salaries were already as low as possible, while his own earnings were unsatisfactory, would naturally be that the price of the product should be raised till all concerned in the output had a "living wage"; and the first and most obvious criticisms of this idea are: (1) That while this can be done in a single industry it would result in a smaller sale of the product and less employment in that industry, unless there were compensating factors; and (2) that, if wages generally were raised from the proceeds of higher prices, then all prices would be higher and the purchasing power of the new wage would be no greater than that of the old. So far as the members of the working class are working for one another—i. e "A" bakes bread, "B" hews coal, "C" mends boots, and "A" and "B" and "C" exchange (through the medium of money) with each other—it is obviously true that a uniform rise of prices benefits no one, while a rise in one industry is at the expense of another or others.

If we take no other factors into consideration, the question is simply to what extent the working class are producing for each other, and to what extent they are producing for other groups, the prices of whose services, or the rent for the use of whose property can be supposed not to rise. The target open to attack by this method is the same as by the method of taxation or appropriation; but a policy of raising prices, even if it is not checked by economic factors, as it would have been before government control, results in very great inconvenience during the considerable period that must elapse before a new equilibrium is attained. In each trade where the price of the product is raised, there is a smaller sale and consequent diminution of employment; and to every group that purchases the dearer articles there is a loss till they also can raise their wages. After all, the inconvenience, the only possible benefit is that one miscellaneous group of persons, some of whom have large and others moderate or small incomes,

will have smaller real incomes, and another miscellaneous group, some of whom have moderate and others small incomes, will have increased real incomes, those now very rich will still be much better off than people of moderate means and the unskilled workman and workwoman will still be poorer as compared with the highly paid man. The "error of distribution" will remain though slightly modified.

Another method of raising wages, is at the sacrifice of the upkeep and development of the buildings, plant, and machinery necessary for future production—as has to some extent been the case during the war; but this course is evidently suicidal. Similarly, an attack can be made on the remuneration of capital, with the effect of checking the supply. Possibly the rate of interest might be forced down a little from whatever level it has attained, but the attempt might have dangerous results. The question of the amount of interest that ought to be paid is quite distinct from the question of the ownership of capital. The ownership can be affected by a capital levy, or by alteration in the laws of inheritance, or by increased death duties, or by confiscation; but still some payment would have to be made for the use of capital.

Wages can be raised temporarily by legislation or by the shock tactics of special groups of men whose services for the moment are essential. But no individual or company can be forced to employ people at a loss, and there is evident danger of unemployment on a large scale if workmen put too high a value on their services. Unless new income is created, there is no fund from which unemployment on a large scale can be subsidized; and there is little reason to think that the State could furnish productive work at the higher wages without a loss, when competitive employers failed to do so.

Professor King, in his "Wealth and Income of the People of the United States," arrives at practically the same conclusion. He says:

The quantity of goods turned out absolutely limits the income of labour If all rent, interest, and profits were eliminated and added to wages, the latter would not at the outside be increased over 25 per cent.

It would seem improbable that, with out present national productive power, any feasible system of distribution could increase the average wage-earner's income in purchasing power by more than one fourth and this is an extreme rather than a moderate estimate. While such a change might or might not be desirable, it would, at least, work no startling revolution in the condition of the employees of the United States. The grim fact remains that the quantity of goods turned out absolutely limits the income of labour and that no reform will bring universal prosperity which is not based fundamentally upon increasing the national income. After all, the Classical Economists were right in emphasizing the side of production in contradistinction to that of distribution Nature refuses to yield her bounty except in return for effort expended. Demands for higher wages have never yet unlocked her storehouses.

No matter from what angle you approach our situation, you run up against the need for greater production.

If you would deflate the currency and credit—it must be by production. Then you can relate wages and costs again.

If you would lower prices—it must be by production.

If you would better the actual position of working people, making wages really buy—it must be by production.

To attain this larger production we need more

and more capital. Those who provided that capital in the past are going to have steadily less of it in the future.

The old idea was that capital accumulations should come more largely from the employing than from the employed.

But now, with heavy taxation, the people of large incomes will have very much less money for investment than previously they had. The Government is taking a considerable share of every income that was once thought to be of a size capable of making its owner an investor. It is taking the bulk of very large incomes. In proportion, the small income will give a greater surplus than the large.

But it is not only the taxation that will make the difference. The workers will inevitably and rightly have more and more not because they are asking for it through strikes, since strikes rarely raise wages excepting in dollars. The unions claim that they have raised wages but, as a matter of fact, they have only registered the competition of Capital for men. As George E. Roberts says:

> It is a great mistake to claim that the general advance in the position of labour in the last fifty or more years has been due to the labour organizations. The general level of "real wages," by which is meant the purchasing power of wages, is only slightly affected by the organiza-

tions. A single trade by being highly organized may push its wages above the common level, at the expense of the other members of the community, who for the most part are also working people But if all wages are pushed up, without an increase of production, the cost of living for everybody will rise correspondingly. The great factor in the rise of wages has been the improvements in industrial methods, in organization, equipment, and means of transportation which have increased production. These and not the power of labour organizations have accomplished the difference between wages in China and in the United States, and unfortunately the labour organizations more often than otherwise have opposed the introduction of labour-saving improvements.

Out of our total national income the lowest estimate is that 35 billions are paid out in wages; other estimates of men entitled to credit place the wage payment as high as 58 billions. But, whatever the figure we know that the wage payments make up the greatest single division of our income. These wages have been increasing faster than the cost of living and the surplus of the wage earners over cost of living is the greatest potential fund for investment in the country. It is not merely a potential fund; it is the fund from which must be drawn the future capital to improve industry. The savings of the workers are greater than the savings of the "capitalists." The true democratic control of industry is for the workers to use this fund for investment. They can buy their way

into industry, but they cannot break their way in for when they have broken in they will find nothing there!

It might almost seem that the employers were behind the popular belief that industry progresses by legerdemain, so uninterested are the workers in accumulating capital and getting a real share and voice in the conduct of affairs instead of asking for such a voice by right of might—and getting nowhere.

It should not be difficult to convince that we are all better off for the electric light, the telephone, and the railway, and that it is in such things as these that capital has its being.

We know that:

(1) The more quickly capital accumulates, the more quickly wages rise in actual buying power.

(2) On the other hand if capital is not accumulated, wages must fall because the country will not be producing enough wealth to declare a dividend.

(3) That the road to freedom is through more wealth and not less.

Then why does not somebody get up and say so?

Chapter VI

Why The Worker Does Not Invest

THE man who works for wages is to-day the man with the money of the country—he is the man with a surplus. He has rarely before had a surplus—unless by the exercise of what might more accurately be classed as parsimony rather than thrift. It is better not to have a nation at all than to have one cramping body and soul to lay by money.

We are after a continually higher and not a lower standard of living. A deal has been said about the cost of high living. We want high living—not extravagant living but good living. We want the kind of high living which goes with the right sort of thrift. And we have seen that the only way for the wage earner to preserve a higher standard of living is to have so much capital invested in industry that it must compete for his services. It is the worker himself who will have to furnish this capital—and the moment that he knows the real effect of capital accumulation he will know that his best

interest is served by helping along that accumulation by his own contributions.

The worker can, by a better adjustment of his finances, now command a surplus. The salaried people who formerly saved cannot now save and will not be able to save until prices readjust themselves—which will take some years. The *rentiers,* unless they are very wealthy, have no surplus for investment because their incomes have been cut in two. And the wealthy are up against high income taxes.

But the worker is not going to turn all at once to saving. It is futile to devise plans which involve considerable changes in human nature. We can leave that sort of nonsense to the pussy-footing liberals and the numerous varieties of socialists. There is little use writing a play for a perfect world when you have only mortals to cast for the parts. The average worker is not going to grasp the economic effect of thrift all at once; perhaps a majority will never get a grasp. Profit sharing fails because the worker cannot connect what he is doing to-day with a sum which he may get six months hence. It would be unreasonable, then, to expect him to get all the economic relations of thrift.

But (and this is not generally realized) it is not what the workers in mass believe that counts —it is what the elected or natural leaders believe.

The workingman is influenced by what his fellow tells him and not by what he reads. If Bill, who is known among his fellows as a "wise one," tells Jack, confidentially, that he has private information to the effect that the boss is making ten dollars for every dollar in wages that he pays, Jack will believe and repeat the statement, and no figures will change his mind. Bill can make a change but the boss cannot. The radicals know this trait and play up to it—they centre on the key men. The employers as a rule neglect these men, put thousands of dollars into newspaper advertising and then wonder why they do not get results.

The president of a savings bank told me that several years ago a run started on his institution. The several servants in his household all had accounts there. He assured them that their money was safe—that the run was without reason and that, if it made them feel better, he would guarantee their deposits. The butcher's boy told the servants a different story; he told them that if they did not get out their money quickly they would never see it again. Did they believe the president or the boy? The butcher's boy, of course; they not only withdrew their money but they kept it out until he said that the bank was all right! The butcher was a key man.

The key men of to-day do not generally take much stock in thrift. In those communities where they do, we find thrift. But more often they make a joke of savings. They make parodies on thrift—the fellow who has been attracted by the fact that if he saves a few cents a week through an impossible number of years he will be richer than Rockefeller, and so starts to save, is pointed out as "the penny-a-day man." We do not reach the key men with sound economics because we do not try; instead, the idea is to put up placards of a general nature. Not only has there not been any worth while education on the economic effect of thrift—the kind of thing that catches the key man and gives him an attractive theory to expound—but we have not any adequate means for easily gathering the savings of men if once they do elect to save.

What are the opportunities in the United States for saving?—and what has been done in the way of educating toward thrift? First take the education. That a man, by saving, can increase his wages absolutely and not merely by the addition of the interest on his money, is to most people an astonishing fact. A few years ago Mr. Vanderlip said:

I should like to make a point that I believe would be of great national significance if it were generally understood.

Every time a workman puts a dollar in a savings bank he has contributed to increasing the wage fund. With the new capital thus created there will inevitably be additional money to pay out in wages. If we will but trace the process, we will see that its action is automatic, certain, inevitable. If the fund of capital-seeking investment increases, and every dollar put in a savings bank does increase the fund of capital-seeking investment, the result of that increase in capital must necessarily be further industrial development. It is true that the savings bank may, in the first instance, invest these dollars, let us say, in an old railroad bond, issued many years ago, the original proceeds of which long since went into construction, but somebody sold that bond, and in turn, had the new capital fund for reinvestment, and somewhere along the line inevitably this new capital must go into productive activity, and in so doing must make a larger wage fund upon which Labour can draw, and a new demand for labour.

But it is very doubtful if many people understood Mr. Vanderlip at the time, and certainly, if they had understood him, they would shortly have realized that he mentioned the savings bank only as an existing facility and not as the only possible and adequate facility. The positive side of thrift has not been emphasized. The emphasis has been on the moral side which does not appeal in the least to the man who very reasonably answers such an appeal by:

"This is my money. I worked for it; I made it. Why should I not spend it as I choose?"

The definitions of thrift are not appealing. Take these for instance:

"Thrift: A thriving condition; prosperity, success, good fortune."—Webster.

"To Thrive: To win success by industry, economy, and good management; to increase in goods or estate."—Webster.

"Thrift is good management of the business of living."

"Thrift is care and prudence in the management of one's affairs."

"Thrift means to get the most for one's money, the most for one's time, the most for one's strength."

Or this:

"Thrift has four elements:

Earning or production
Spending or choosing
Saving or conservation
Investment or accumulation.

"Thrift has three qualities:

Frugality or carefulness
Economy or good management
Judgment or wise decision.

"Thrift yields three products:

Security of the State
Prosperity of the community
Sovereignty of the individual."

There is nothing incorrect in any of these definitions; there is nothing incorrect in the analysis; but what a cold, uninviting prospect

they hold forth! They are more negative than positive. And, in spite of the vast sales of Liberty Loan Bonds and War Savings Stamps, it is impossible for any one surveying the spending habits of the people to-day to say that any large portion of them are alive to the real purposes of thrift or are practising it other than as a measure of economy. It has not been sold to them as a going thing.

The most striking instance of this appears from an analysis of the increase in the savings banks' deposits of this country. Between 1913 and 1918 these deposits rose from $6,147,592,232 to $7,727,007,971, showing an apparent increase of $1,579,415,739 within five years, which would seem to be a very substantial sum. Yet an analysis shows that it is a distinctly unfavourable balance and that thrift, if anything, has declined. For the deposits as recorded for 1913 at four per cent. compound interest would have been $7,479,575,467 in 1918, making the fresh savings for the period only $247,432,504, or less than 50 million dollars a year for a population of more than 100 millions. A half dollar each!

It might be imagined that this small increase in savings was due to the war and that 1919 would tell a different story. The figures for the savings deposits for the whole country for 1919 are not available at the time of writing this

book, but they are available for the savings banks of New York State, which, as a moneyed state, should show up better rather than worse than the rest of the country. The savings deposits on January 1, 1917, were $2,139,299,037 and on July 1, 1919, were $2,363,040,001. That is, during this period in which great amounts of money had been in circulation the increase in deposits is less than an actual interest accretion.

We shall not help ourselves by neglecting to face facts. It is very evident that the governmental activities, no matter what the actual results may be, must always be self-heralded as successes. This attitude evinces no real comprehension of the problem—the real problem gets lost in the press agenting. It is very doubtful if saving under government auspices will cause any marked benefit in the country other than to the particular group which the Government may delegate to spread the gospel of saving. The socialization of savings and its inducement to governmental extravagance is not in peace time an attractive spectacle.

It is not necessary here to go into the extraordinarily large proportion of the national income which is already being absorbed by the State and Federal Governments. A negligible proportion of the expenditures of the Federal Government goes to increase the wealth of the

country; a considerable proportion goes to the support of non-producers. But it is difficult to conceive of any movement more nationally harmful than one which in peace time endeavours to place such ample funds in the hands of the Government that it can indulge in the fullest degree its varied bureaucratic idiosyncrasies.

What facilities have we to offer to the people to increase the productive capacity of the country by putting into it capital to be used for productive purposes?

We have the savings banks. These banks have performed a larger public service than is often recognized. They have encouraged thrift, they have made it easier for those of a thrifty disposition safely to deposit their funds, and they have turned into the channels of productive industry vast amounts of money that would otherwise be hoarded. The savings bank is expensive to operate. Unless its deposits are large, the operating expense will quickly eat up the narrow margin between the interest paid and the return upon the class of securities which the savings bank can legally invest in. This prohibits the institution of such a bank in the sparsely settled locality or in the isolated industrial centre. Consequently we find very few savings banks in proportion to the distribution of the money which might be saved. It could

not be otherwise. For instance, out of the 141 savings banks in New York State, 59 are in the City of New York.

In Massachusetts the savings-banks idea is more firmly grounded than in any other state and yet there are only 196 banks in the state. Those banks are probably the best operated in the country because long experience and the keen New England disposition have scrutinized their expenditures very closely. Yet in one year in which an investigation was made it was disclosed that, using all possible economy, the total expense of management, including taxes, was more than four million dollars which, apportioned to the number of deposits and withdrawals, made the expense about one dollar for each such transaction.

It is necessary in most savings banks where an exact cost of operation is kept to discourage the depositor from making more than three or four transactions a month. The diplomatic reason which is usually given is that frequent deposits needlessly encumber the pass books. The real reason is the expense to the bank of the transactions. One of the largest savings institutions of the country has less than one per cent. of open accounts in which deposits are made more frequently than once a month.

It must be plain that if the habit of saving is to

become widespread, then the provision must be for small deposits made frequently. Under such conditions the savings bank cannot exist at all.

A savings institution, in order to be profitable, must be big. In order to inspire confidence it should have an imposing building, and yet bigness of deposits and of building, while very gratifying to the controllers and very welcome to a considerable class of depositors, repels the very kind of saver who has to be educated into saving. Your average workman will not, on the evening of pay day (if the bank happens to be open in the evening) journey down to a great building, stand in line, and go through, to him, the wholly mysterious operation of making a deposit. We are apt to forget the attitude with which so many working people regard banks, and how they mix up banks and bank clerks with courts and other awesome places.

The average workman does not like to get within gun shot of anything that is marble and official. Of course, such an attitude is silly, but we have to take into account that most people are silly anyhow—it is simply a question of the variety of their aberration, not whether or not they have one.

The savings banks do not fill the need that we are seeking to create—that is, for easy, safe, and continuous investment for the wage earner.

They are safe but they are not easy of access either geographically or in the matter of business hours, and the continuity of investment depends solely upon the urge of the depositor. Even if he has the savings-bank habit, which fortunately so many have, he will wait to make a fairly large deposit; that is, he will wait to deposit $100 rather than a dollar. And if he did not wait but deposited a small sum every week, he would ruin the bank. Also, withdrawals are too easy. Most banks are empowered to demand from two weeks' to two months' notice of withdrawal; but, since insisting upon the notice frequently gives the idea that the bank does not pay because it has not the money, it is better advertising not to insist upon the notice of withdrawal. On the other hand, the limit of deposit—which is seldom above $3,000—also induces a lack of thrift and frequently drives those who receive larger sums in life insurance policies into the hands of the fake stock sharks who seem able to keep posted on how and when people get money.

All of this is not offered in the way of disparagement of the marvellous work of the savings bank. I have emphasized what it does not do more than what it does do, simply so there can be no possible confusion in the mind between the sphere of the savings-bank system and the sphere

of some system which will catch the savings of the worker who has no particular desire to save but will save if the matter is kept right under his nose. As Mr. Charles A. Miller, who has had a long experience with savings institutions and is the president of the Savings Bank of Utica, puts it: "The important thing, it has always seemed to me, has been to induce the public to save money. Where they have put this money which they have saved is of much less importance, provided they put in it a place of safety. Savings banks, by reason of the laws which surround them with all sorts of restrictions, are unable to go out into the highways and byways of industry and persuade and compel people to save money and become their customers."

In a report by Herbert R. Sands, Assistant Director of the Board of Municipal Research in New York, he says on this point:

It is believed by many careful students of the subject that, while a plan for the investment of savings should make it possible for the investor to redeem his investment for cash, it should not be possible for him at any time and upon the merest whim to secure a full return of the principal If savings are a real benefit they must be accumulative. It avails but little in the development of thrift for a person to save for a few months and then withdraw and spend the amount needlessly. Just as there should be an incentive to save, so there should be something to

discourage needless withdrawal and expenditure of savings. The fact that the owner of an investment bond is compelled to wait until maturity in order to receive the principal in full frequently deters him from throwing the bond on the market and accepting a lower price, he is more liable to forego the expenditure and leave his savings intact, whereas had they been in a savings bank he would have withdrawn and spent them. This principle has been recognized by the credit unions and many other coöperative organizations. Their desire is to encourage the individual members to save over a given period of time. Professor E. W. Pratt of the New York School of Philanthropy, in describing the methods of such organizations, says:

"If he withdraws before the end of this period he is usually penalized not only by the loss of interest which would otherwise accrue to him, but usually also by the loss of part of his savings. The object, of course, is to encourage continuous saving over a considerable time."

The postal savings system is doing an excellent work but they do not seem to have touched the general public, for 72 per cent. of their deposits belong to foreigners. It is much less than a universal method; the inconvenience is very great—post offices are not convenient, and the red tape surrounding deposits is cumbersome. And the limitations upon deposits prevent universal application. We should not, in effect, say: "Be thrifty—but only just so thrifty. Save money, but only so much money."

The insurance companies provide in many respects the greatest general vehicle for savings

which is available to the poor as well as to the rich, for among the multitude of varieties of policies issued by the various companies one can be found for practically every purse. The primary business of an insurance company is to insure. The savings feature is essentially secondary, and the percentage of endowment or other policies which look to the payment of a sum during life is small as compared with those policies which pay their full face value only at death. In the whole discussion of savings the only point where we find the habits of the American people superior to those of all other peoples is in this matter of insurance. Insurance has not been allowed to remain among the dormant virtues along with saving. It has been sold to the people by companies who do not pretend to be philanthropic, represented by agents whose livelihoods depend upon the amount of insurance they sell. However pestiferous the life insurance agent may seem to be, it is not well to forget that it is the directed energy of these men that has made the United States the greatest life insurance country in the world, and that the social service rendered by insurance is so great as to be beyond calculation. If thrift could be sold with a fraction of the energy that is daily given to insurance we should to-day be a nation of capitalists.

Insurance, however, does not provide for universal savings because first, it must select its own risks, and secondly, because the money paid by the assured in his premiums or deposits is not sufficiently within his control to make it possible to recommend insurance as an all-comprehending system of thrift. It is an integral part of any plan for national thrift but it is not the whole plan.

When we leave the insurance companies, the postal savings, the savings banks, and the savings funds, we are practically out of the region of the workmen's means of investment. Most other plans are in the ordinary investment class and are utilized only by those who have already been educated in investment. The building and loan societies need scarcely be considered because they form a highly specialized group with the borrowing and the investment features about equally balanced. The exceptions are the savings funds instituted, and to some extent enforced, by individual employers, but these form a separate division which will be treated in another chapter.*

What we are here looking for is the universal plan which will both encourage the habit of thrift and confirm that habit by permitting of its easy indulgence.

*See Chapter VIII, page 153.

But what is it then we are after?

First: some sort of intelligent, personal, key-man exposition which will educate in the thought that more is to be had by thrift than without it, and which will utterly discredit the caddish notion that, while it may be morally right for a man of a certain means to buy a certain grade of article, it is quite unmoral for another of less means to buy the same sort of stuff or an imitation thereof. The right teaching will make thrift positive.

Second: we must have, coincident with the inculcation of the desire for positive, forward-looking, unshackled thrift, a provision of ways and means by which thrift can be practised without effort on the part of the man who has decided to become thrifty.

Chapter VII

The Essentials of an Investment Plan for Wage Earners

IN A previous chapter I have discussed the plans for saving which are in general vogue and have tried to point out why, notwithstanding their superficial perfection, they do not reach the wage earner. They do not arouse in him other than an evanescent passion for saving and I have demonstrated that point by the results. The savings thus gained are not negligible; they are very large. But they are small as compared with what might be saved and they come from the larger rather than the smaller wage earner. They are the savings of the well-to-do who would save in the face of almost any obstacle—with whom saving is second nature. I venture to say that two thirds of the depositors in the savings banks, for instance, would save regardless of those banks, and that a good part of them would walk ten miles in the rain if necessary to put their accumulated money in a safe place. A typical Frenchman or a typical German will save regardless of circumstances. You do not have

to teach them to save. You would have to use violence to prevent them from saving. If you made them choose between taking an oath not to save and being hanged, they would one and all take the oath not to save but with their fingers crossed and then probably form secret societies bound together with bloodcurdling oaths to preserve the inalienable right of a man to save money.

You do not have to devise any plan for taking care of the funds of the average savings-fund depositor. You can put your bank on the top floor of a building or in the cellar, you can locate it anywhere, and the savings addicts will ferret it out. These institutions really exist because there are a certain number of thrifty people in the community. They are a result and not a cause, and although here and there institutions have gone into campaigns to promote savings and have increased the number of their deposit accounts, an inspection of their books will demonstrate that the accounts so gained rarely live. The good accounts come without solicitation and the largest savings banks are those which rarely if ever advertise but which have behind them a long record of complete stability.

The essential reason for the failure of these institutions to encompass those people who have not the inherent desire to save is that they have

not the facility to transform the mere will to save into the continuous act of saving. They are not so equipped, and they cannot be so equipped. They are properly designed to protect and conserve that which already has been saved, and their promotion of saving is incidental. The employer, therefore, *who recognizes that the future development of this country depends in a very large degree upon the proportion of the wage fund which is saved and made available for industry*, has to look away from the old familiar institutional forms for the custody of savings and toward a new form of institution which will consider the accumulation of savings its primary duty and, although giving no less care to the custody, will consider itself a thrift-selling organization—that is, a savings institution which shall be primarily a sales institution.

A life-insurance company, for example, is fundamentally an investment corporation, but no life-insurance company could be successful unless it first considered itself as a sales organization. That is one of the several reasons why state-managed insurance so seldom succeeds. The Massachusetts Industrial Life, which is not an organization for profit, has a rate 50 per cent. less than the commercial companies, for it has no expense of soliciting, but because it does not solicit, because it does not sell what it has to

offer, it does about one per cent. of the total industrial life insurance in the state! We must first have a good thing to sell, then we must sell it. I say "we" because it is a matter for everybody and, unless the employer is wholly convinced that not merely the encouragement but the very sale of thrift to his employees is one of his largest duties, the employees will not be thrifty. No matter how perfected any method of saving by employees may be, it will not be successful in a particular unit or plant unless those at the head are entirely convinced of its value—actively, not merely passively, convinced.

There should be no difficulty, for the reasons that have been previously set forth, in the employer convincing himself, but I am not at all certain that that conviction will be a lasting one if it is founded upon the mere idea that it is a "good thing" for employees to save money. We shall before long find it a necessary thing. Even with the apparently abundant money of to-day, the new scale of prices requires great sums to finance comparatively small volumes of goods. The taxes are cutting into the investable surplus. In Holland, for instance, to take an example of a country which was supposed to have prospered by the war, the income taxes are so high that a very wealthy Dutch banker told me not long since that the State took

75 per cent. of his income, and that whereas formerly he was always able to reinvest a good part of his income, to-day, after paying his ordinary expenses and taxes, he has nothing over.

The wealthy man, the man who has been the principal contributor to new enterprises, to-day has all that he can do to make ends meet and even if the wealthy cut down their standards of living, which most of them already have done, the surplus for investment will be trivial as compared with what it was before the war.

We all recognize that a country in which the wealthy are profligate, as in Russia, rarely has any home money for investment. In Russia great masses of the people had no margin between their income and the expense of living. The larger sums of money were in the hands of a very few people and these people generally preferred to spend their incomes at Paris or Monte Carlo rather than in industry. They did not know or care anything about industry. Consequently Russia has been developed almost wholly by outside money.

There is no outside money to develop America. But there is enough money here. The great national income is that of the wage earner. It is untouched by the income tax—it is all net. It, therefore, constitutes the fund out of which the country must in the future be developed.

A single concern may, out of its own earnings, be able to extend, but the new enterprises starting up here and there and creating not only goods but inevitable markets for other goods, have to be developed out of new money. The future of America depends upon the workers' disposition toward thrift.

The growing radical thought in our population jeers at saving. The Amalgamated Garment Workers very recently opposed a thrift plan that was being urged upon their members because, and this forms one of the best arguments for thrift, they declared that by having their members save, those members would become members of the capitalist class. (This is being of the proletariat at all costs. It is an absurdity akin to throwing all of your food away and then complaining of hunger.) This propaganda depends to a large degree upon demonstrating to the worker that the acquisition of wealth or of ease does not come as a result of industry and thrift but by birth; that those who own capital form a class that has come down through the ages, and that this class exploits the worker and when it asks the worker to save and invest, it is only in order to secure additional funds further to depress the condition of that worker, or, by arousing in him the fear of destitution, to induce him to set aside a fund which, being under the

control of the capitalist, gives him a larger club by which he may keep the worker in line. And remember the Social Revolution is not a mere fantasy. It is not merely an idea as it was ten years ago. Two evils stand in the way of a better share for the workers in the good things of the earth. They are: first, the dearness and scarcity of capital, and second, the dearness and scarcity of food and raw materials. Both these evils every one of us can help to correct by spending less on luxuries, and living more sensible lives, in accordance with a more genuine standard of comfort, based on our real wants instead of mimicry of the extravagance of our neighbours. And along the same line Hartley Withers, the noted English economist, speaking of the need of saving in peace time and of curbing extravagance, said:

> If there is any likelihood of a real sensible spending, it is surely better to try this method instead of letting things drift toward terrible experiments like general strikes, and the possibility of bloodshed and perhaps revolution. Surely it is plain that never in the world's history has there been such worldwide unrest among the workers. Those who are in sympathy with the workers and think that they ought to, and must, get a bigger share of the world's goods, are glad to see this unrest. But to the man who is quite content with the manner in which wealth is at present distributed, and only wants to enjoy his own income, it must be a most disquieting and uncomfortable system. For he feels that he is really much more vulner-

able than the workers. He must have his three good meals a day, perhaps four. They are quite used to going hungry—one of the most pathetic facts in language is the existence of a regular word for it in the north country, to "clem." If the workers could only solve the question of unity among themselves, so that a strike meant a really unanimous cessation of work by them, a general strike would become a terrible weapon against people who do not like to miss their accustomed creature comforts for a day. It is easy to talk about the strong hand and martial law, but the strong hand is a game that two sides can play at, and martial law may be met by martial lawlessness.

Thus actually we see that saving is not merely a pastime, that it has nothing to do with the eleemosynary spirit, but that unless the recipients of the largest aggregate income of the country—that is, the wage earners—return a portion of their funds to industry—that is, acquire an interest in it—and remove themselves from the strictly proletarian or propertyless class, industry must languish for want of capital and thus languishing will not be able to provide the goods out of which wages are paid. Hence wages must decline and the propertyless class grow instead of diminish, and the moment that those who have no stake in life reach the majority we shall have revolution and an overturn of society. In all fairness, if we cannot so order our economic life that increasing opportunities are open to all and being propertyless is a matter

of choice and not of compulsion, then a revolution should come, for the present system will then have demonstrated its failure and some other system has a right to a hearing.

I incline to doubt that we can reasonably expect coöperation toward a better system until the exact economic meaning of thrift is understood. The present attitude of many of those who have a large amount of money is in the direction of a senseless extravagance which, if not checked, will, and I think should, foment revolution. It is necessary to emphasize the employer's part in any investment plan for wage earners on the ordinary business principle that a concern will rarely succeed in selling its product if the heads of that concern do not believe that it is a good product. It is an axiom that anything may be "put over" for a while but it is refreshing to know that nothing is "put over" for long. Any successful employer counting over those among his acquaintances who have succeeded largely will quickly realize that those men have been successful in the degree of their belief in what they make and sell. Take any of the remarkable personal successes. The National Cash Register Company has had a really marvellous career but as far as Mr. John H. Patterson is concerned, his chief interest has not been in selling a machine

but in removing those who handle money from the temptation to theft. The primary interest of Henry Ford is in providing fast and cheap transportation so that the poor may have more leisure. He thinks more of the transformation that he has brought about on the farms than he does of the great sums of money that he is incidentally accumulating.

Properly understood, from this standpoint, there is no reason that an employer should not have a positive passion for the stimulation of thrift. Many successful employers have this passion. The most prominent example is probably Mr. George F. Johnson, the Vice-president of the Endicott-Johnson Company, who employs more than 13,000 people and in his thirty years of experience has never had a strike. When he talks of thrift he is talking of something that he practises and when he makes an appeal it gets across. He ties up saving not with deprivation but with getting more. Here is a letter that he recently wrote to his people and which is in many respects a model talk:

Please learn as *early* as you can in life (and having learned, keep it constantly in mind)—that it isn't what you *get*, in the shape of financial returns for labour, that makes you any better off. *It's what you KEEP.* Getting it and not making good use of it, makes you poorer, and much worse off. It would be better for you to work for

smaller wages (so long as you had enough) than it would to get big wages, and fool it away, and buy things which harm you and do you real injury, physically and mentally. Extravagance is, to a certain extent, criminal. All "crimes" are not punishable by law. That form of "extravagance" which works to the injury of yourself and others is truly criminal. You have no right to injure yourself or others, even though the "law" permits. It is quite as bad to break a moral law as it is one made by legislatures and called "legal." I learned years ago, and perhaps some of you have learned, and I hope you all will learn, what you *get* does not necessarily make you any better off. It is only what you *keep*. This refers to wages.

As a young man, working at the bench treeing boots, I was able to earn what, at that time, seemed good pay—two and a half to three dollars a day. Yes, it took ten hours of good, hard work and I could do as much as any one on the job, and more than some. The man working by my side was slow. He did fair work, but he was slow to work and slow to think. "Ben Ripley." We used to laugh at Ben, because he was rather easy to work off old, stale jokes on. He was what you would call, I guess, a kind of a "shop fool." We all thought it was "smart" to "fool" Ben. "Benny" could make about two dollars a day, while those of us who were faster, could make about three. We were paid once a month in those days. We were paid on the first Monday of the month, which would sometimes make *six weeks between pay days.* If we wanted any money between times, we had to give "the Office" ten days' notice that we wanted a few dollars, and we were limited to five or ten dollars at that. But you may be sure we drew all we could between pay days. We always needed (?) it. And then we would borrow from each other. That is, we all borrowed from "Benny." "Benny" would buy our coupons, worth a dollar, for seventy-five cents. We cheerfully (and we thought we were bright) sold

"Benny" our coupons (in order to get money to fool away) for seventy-five cents on the dollar. When pay day came around, "Benny" had a pretty big wad of coupons.

Then, when pay day actually came, the "bright ones" (?) (I was one in those days) took a trip to Boston and fooled away twenty-five to thirty dollars. "Benny" didn't go One day "Ben" blossomed out with a hundred and twenty-five dollar gold watch. We admired it greatly. He said. "You remember you fellows went to Boston four or five times in the past few months. When you came back I asked you how much it cost you and you told me. Well, I set aside that much, and in four months I bought this watch and chain "

And still we continued to laugh at "Benny" and I imagine "Benny" was always laughing at us. Now, you know some "Bennys" in your room. I expect you are laughing at them. Some day they will be able to "buy and sell you." You will be living in their house, paying them rent; working for them, in fact.

The "joke" is on me. I see it now, all right. But it may possibly "leak into the brain" of some of you "kids" and do you some good. Hence I have used my own experience to bring out the idea I wish to convey; don't be a "damn fool."

I have dwelt at this length upon the employer's side because thrift has to be sold to the people. But the employer is not the man to sell it. It is easy enough to devise a plan to abstract a portion of the wage even though that portion may be an amount paid in excess of the so-called market rate of wages, put it in a fund, and tell the worker that you are saving money for him, and for his good. A few imaginative

and thankful-for-the-small-favours souls may thereupon, if duly coached and trained, hail you as a benefactor, but those workers possessed of sufficient common sense to be of any value around the place will resent what they will truly call a "holding out on them." It is usually a characteristic of these funds that they cannot be touched by the employees for a certain number of years or only in the happening of certain events, and the better workers will regard the alleged deposits as bribes for continued service.

The idea of thrift has to be sold. The conviction has to be made that a better life may be had through thrift. This is wholly incompatible with paternalism or any form of what is comprehensively known as "doing good."

It is doubtful if the full economic force of saving can be sold as a coldly abstract affair. The economic value of life insurance has not been generally sold and even where such insurance is now sold to cover inheritance taxes the appeal is largely to the emotions on the ground that if the taxes are deducted the beneficiaries of the testator will not receive the amounts which he in his wisdom had exactly designed for their needs. The emotions have to be played upon and this can be reasonably and legitimately done in a number of ways. There is, for instance, the

long line of appeals to avoid poverty so well-expressed by Micawber when he said: "Annual income, twenty pounds. Annual expenditures, nineteen six. Result, happiness. Annual income, twenty pounds. Annual expenditures, twenty pounds, naught and six. Result, misery. The blossom is blighted, the leaf is withered, the God of day goes down upon the dreary scene, and in short you are forever floored, as I am."

There is also the appeal that is so effective in insurance in which the actuarial statistics are used to demonstrate the careers of one hundred average Americans starting at the age of 25. It is highly impressive to note at 35, ten of these men will be wealthy, ten will be well-to-do, 40 will live on their earnings, and 35 will be where they were ten years before. Twenty years later only one will be wealthy, 3 will be well-to-do, 46 will live on their earnings, and 30 will no longer be self-supporting. Ten years later out of 64 survivors, 54 will not be self-supporting and of the 37 who will normally live to the age of 75, 34 will be dependent. Take the widows of this whole group of one hundred which, of course, widens the appeal, and it will be shown that only 18 can live on the incomes that their husbands accumulated; the others are either dependent or have to work for a living. These are very strong facts in selling the thrift idea.

But the savings may seem so small to the worker as not to be worth while. In that case one can simply present the great number of men who started life as ordinary workmen and who by saving have put themselves into the position to become wealthy. Such men are in the majority. Take L. F. Loree, the president of the Delaware & Hudson Railroad. He is not one of the very wealthy men of the country but certainly he is a representative citizen. He says:

> When I was a young man, I tried very hard to save money, for I knew that I should never be a success until I had saved. So, every month I watched the pennies—spent as little as I could—and saved the rest.
>
> It wasn't easy; and it didn't amount to much either. There was always something unexpected coming up to take the money, and "the rest" was disappointingly small. Besides—I hated to think about money all the time—yet when I didn't think about it there wasn't any "rest" at all for the savings bank.
>
> One day I tried a new plan. Just put a definite amount in the bank when I *first* got my pay—and lived on the rest. From that time on I began to get ahead rapidly, the money in the bank grew regularly and surprisingly—and I didn't have to think and skimp all month. We just spent what was left.

It is comparatively easy to promote a thrift campaign. It is not difficult to engender an unusual desire to save if with the desire is also the means of saving. The idea can hardly be sold in abstract; it has to be sold in connection

with a dotted line—that is, in connection with a written promise to save. All that is really necessary in a life-insurance policy could be printed on a four by six card but I greatly doubt if such informal policies could be sold. The most successful life-insurance agents, having sized up their prospects beforehand and knowing with considerable exactness the state of their finances, take with them a policy in the amount that they think the man should apply for and they sell him that definite, concrete thing and not merely the idea of insurance. They have to sell a concrete thing and to sell it by personal contact—to sell face to face with the prospect.

It is likewise in workers' savings. The men want to buy something that they can put in their pocket—a physical thing to exchange for the money that they have saved. The average man is used to buying, he understands exchanging his money for a thing and as between a promise to pay or a mere receipt and a document, which represents the money and can be turned into money, there is no choice. A notation in a pass book does not stand in the same class with an engraved something that represents the money itself. The postal savings bank exactly comprehended the psychology of the saver when they arranged for documental certificates instead of a pass book notation as a

receipt for funds. The fake stock promoters who clearly understand psychology, although not in scientific terms, always take gaudy certificates with them in their selling campaigns. They know that a fine-looking certificate stamped $100 will of itself have a selling force when offered to a victim at $5. There is great faith in written evidence. Unscrupulous storekeepers advertising bargain sales seldom fail to write new price cards for the goods that are to be reduced. One of them once told me naïvely:

"If I have a chair that is worth $15 and I want to sell it for $20 I put $30 on the price card, then cross that off in red ink, and write the new price of $20. Then I sell."

On the other hand, it is hard to dispose of real bargains if you put on price tickets with only the bargain price. The public faith in documentary evidence is not to be neglected. The War Savings Stamp campaign is an example of putting investment on the merchandising basis. The people do not invest twenty-five cents—they buy a War Savings Stamp—and, although the end is exactly the same, the psychological process is quite different. These stamps, however, were sold; they were sold by thousands and thousands of agents. They were not merely placed on sale. And although considered as an investment they are as good to-day as ever they

were, the dropping off of the sales agents has caused the sales to drop almost to nothing. Therefore, as an essential of a plan that will appeal to the worker is the necessity that he receive a thing in exchange for his money—so that instead of investing he can buy. And that thing must be sold to him—by a man on the spot. That frees his mind from all bookkeeping calculations and also permits the feeling that he is not parting with money but is exchanging it. Not a few people who will not invest from fear of loss do save—they hoard the actual currency. While Bridgeport was in the midst of the war boom the banks had to bring in about $200,000 a week in new currency over and above the increases in the payrolls merely to replace the money that was hoarded.

Giving something that represents money in return for a saving is merely making easier the path to saving by conforming to instead of running against the popular idea—however unreasonable that idea may be.

The definite thing sold has to give a fair return, a return as great as or greater than that of a savings fund but the return itself is not a selling point, for in that case you come into competition with the unscrupulous who will promise anywhere from 20 to a 1,000 per cent. return. The return need not be more than a fair average con-

sistent with safety. The big points in selling the idea are:

(1) Someone on the spot to do the selling
(2) A concrete thing to sell
(3) A simplicity in operation
(4) An absolute safety.

Selling a thing connotes simplicity. The savings book or card is a thing. The accrual of interest and consequent fluctuation of price even without a fluctuation in market price cannot be initially explained. If they are joined in the argument for thrift they will only serve to confuse that argument and will head the prospect's mind away from the main point—which is to save. The price should not fluctuate—it should always be worth its face value. And finally, those who control the facility for investment must be men of skill and integrity and of sufficient means absolutely to guarantee their judgment, for no matter how honest a failure may be, one single failure in a savings institution will undo every bit of thrift work that has been accomplished in that neighbourhood. Also, there should be a state banking supervision.

The decline in the price of Liberty Bonds has all but counteracted the campaign of thrift carried on in their sale. Those who bought them to help

win the war are not bothered by the decline but those who bought them for investment purposes feel vaguely that they have been cheated.

This would seem to exclude the sale of preferred stock or of public bonds to workers. It does not, but experience has shown that unless the desire to invest is already present the selling expense in disposing of these small denominated securities is very high. Recently a banking firm sold a large amount of preferred stock to the employees of the corporation on a straight investment basis, but, having checked up all of their records, they discovered that it cost them so much money to do the selling that they would hardly again try the experiment. And these sales were to people who had already saved. When stock subscriptions are taken at fifty cents and a dollar per installment (the partial-payment plan) the expenses of collection are beyond reason. The Crédit Lyonnais some years ago disposed of a large mass of securities to the French peasantry but that was on quite a different basis, for the people they sold to had already accumulated their funds. The French peasant is a notorious hoarder of specie.

The industrial savings to be gained in any very large amount must come from the man who can afford only fifty cents or a dollar or two dollars a week.

I have sketched the essentials of the generation of the will to save, and the outlines of a thing to be saved—now for the machinery to keep that will to save in force, to preserve the will and to prevent backsliding. These requirements may be classified as the essentials connoted by the word "automatic" and which carry with them the necessity of regularity.

The automatic feature might at first seem to be of little consequence but any one who has ever dealt with people knows that while it is comparatively easy, when enthusiasm is aroused, to get a pledge from a man to do almost anything, it is quite another affair to keep him to his promise. New Year's resolutions rarely last until the first of February but they are stalwart as compared with resolutions to save. The man who on Monday is wholly enthusiastic about accumulating a competency will by the next Monday have convinced himself that there are other and different and better ways of saving than the one he has adopted, and while debating these questions with himself, the resolution to save, while remaining firmly in force and not for a moment repudiated, will gradually pass into the faith-without-works class. People are extraordinarily clever at dodging their own resolutions and workmen are not different from any one else.

The only way for a man regularly to save

money, unless he be one of those individuals possessed of an extraordinarily unrelenting character, is for the money to be passed into the savings account before it reaches him—that is, to put him in the position, once he has made his resolution, of having to make another resolution to quit saving in order to stop the process. Where one hundred men will let a good resolution die by inaction, only one man will positively and unequivocally reverse himself. This means that the deduction should be made on the payroll—by that method which least complicates bookkeeping and least involves the employer. Under one excellent system the payroll clerks are furnished with coupons representing the deduction which the man authorizes, and then they put into the pay envelope these coupons just as though they were currency, the employing company acting only as an agent for an outside company. This plan is in analogy to the trading stamp with which all workers are familiar. They like the idea of collecting something.

Finally, take the convenience of withdrawal. A man will rightly hesitate about going into any system of saving which locks up his funds for any long period of time. The average worker has no great margin between income and outgo and he has to be prepared for a rainy day—for a birth, for a death, for a long illness. He cannot

afford to put a measurable part of his funds out of reach. If his money is to go from him for a long time he very naturally will not deed away anything like so much as he would if the money were always available. On the other hand, as I have pointed out in a previous chapter, any system of saving in which withdrawals may be easily and secretly made is faulty. The funds should be available upon short notice, there should be a penalty for withdrawal, which penalty should be large enough to stop withdrawals for frivolous purposes and yet not so large as to work anything which savours of injustice on a man who legitimately needs the money.

Chapter VIII

The Employer's Part in Industrial Thrift

BY NO means the most important phase of saving is the "laying-by-for-a-rainy-day" idea. This is merely one of nature's little devices of deceit (like protective colouration) to persuade the earner to divert a part of his earnings for the common good. It so happens that this diversion is also for the saver's good. His own fear of want impels him to do that thing which most of all tends to eliminate want from this world.

Do not let us minimize what might be called the strategic importance of saving by the individual. Do not let us forget that the individual will not save for the community but that he will save only when the community good is translated into individual good—that the only approach is through the individual. At the same time do not let us obscure the real purpose of saving or in any way dodge the responsibility that should rest heavily upon every leader of political or industrial life to encourage thrift for the benefit of the com-

munity even though that benefit be expressed solely in terms of the individual.

It is not economically possible to permit everyone to act according to his own sweet will. The Anarchists say that it is, the Marx Socialists take the antipodal view that the greatest freedom is to be secured through the infinite regulation of production for use. Our politicians frequently confuse the Anarchists and the Revolutionary Socialists because each of them would start the programme of world benefit by blowing up and smashing up a few potentates. But the two concepts of society are wholly and fundamentally different and our own governmental idea is somewhere between the two poles. Progress in any form of society rests solely upon serving large portions of the world's production and since we have discovered that one of the primary defects in our system of service arises from the fact that there is not enough to distribute, we have to recognize that, when all is said and done, it is increased production and that alone which makes for social well-being. Under our sort of government the accumulation of capital is essential to the increase of production.

Therefore, however much we may admire the spirit of the man who establishes a chain of free soup houses, his service is negligible as com-

pared with that of the man who induces savings —for if those savings are only large enough they will result in such an increase of production as to make the free soup house as unnecessary as a dinosaur in a Harlem flat.

All of this has been remarkably well stated by Mr. Hartley Withers. He says:

> It was the belief of old-fashioned economists that if only everybody was left free to pursue his own interests, the best possible state of economic welfare would somehow or other emerge Partly because the complete freedom demanded by them could not be given in any human and humane society, this cheerful theory has not yet proved itself true in practice. The net result of our haphazard economic system is, that a large part of mankind is underfed, ill-clad, and ill-housed, and is shut off from many of the comforts and decencies of life, while a large part of the rest spends much of its time in wearying itself by consuming things that it does not really want and vying with itself in vulgar ostentation and waste . . .
>
> A remedy would be found at once if those who have money to spend would grasp and act on the very simple fact that, since the producing power of mankind is limited, every superfluous and useless article that they buy, every extravagance that they commit, prevents the production of the necessaries of life for those who are at present in need of them. The man who cannot be comfortable without half a dozen motor cars and pursues his own comfort by buying them, thereby takes bread out of the mouths of the hungry. Probably he is an entirely good-natured person who would not dream of harming anybody and very likely imagines that he is doing something that is good for trade, and helping to give employment by buying six motor cars when one would have been quite enough for him.

This gray-whiskered fallacy, which is cherished as a fact by a majority, probably, of the people who have much money to spend, is the cause of much of the tangle in which the business affairs of mankind have been twisted. The fallacy is all the more dangerous because it is only half a fallacy and contains just enough truth to be deceptive

Since the output of goods and services at any moment is limited by the amount of labour, capital, and raw material that is to be had, and since we have seen that most goods and nearly all services are more or less quickly consumed, it follows that the divisible wealth of the world is like a great heap, the size of which cannot be enlarged at will though the articles of which it is composed may vary . .

Let us test this contention by carrying the argument to its logical conclusion, and suppose that the whole of humanity were suddenly converted to the belief that luxury is an unpardonable sin, and treated this belief not merely as an article of faith, but as a practical rule of life. Let us suppose that everybody determined to eat plain and wholesome meals, just hearty enough to keep them in health and good spirits; to wear neat, well-cut clothes, stout enough to keep out wind and weather and to wear them as long as they are decent and tidy; to live in comfortable houses, one to each family, instead of over-furnished and over-upholstered barracks; and to be simple and tasteful rather than ostentatious and vulgar, in hospitality and the amusements of life. What would be the economic effect of this moral and aesthetic reformation?

Its effect would be that all the cunning and untiring effort that is now thrown away on turning out tasteless vulgarities and extravagant superfluities and then forcing them on mankind by an elaborate and enormously costly system of advertising and circularizing and touting in all its forms, would be compelled to turn its attention to growing and making and forwarding and selling things

that are really wanted and really useful. The great heap of the world's wealth would be as big as ever, but a large part of it that now consists of tinsel toys and absurdities and worse, would have been replaced by good food, good clothes, good houses, and healthy amusements

The distinction between the nationally economic and the personally economic view of saving becomes highly important when we get down to the specific problem of impelling savings out of the wage fund, for at once rises the question as to whether the employer, as the industrial leader of his community, is to treat the savings of those who receive wages from him or through him as a personal or as a community matter. Is his duty that of a citizen or of an employer?

None of us would highly regard the brand of Christianity of an evangelically disposed leader of industry who insisted upon his converts accepting the principles of and attending his own particular church. We should regard such a man not as an apostle of Christianity in general, but as a collector of trade-marked cherubim. He would be in the way of violating what we consider the eugenics of Christianity.

Dropping from the clouds let us consider how far an employer may go in the promotion and supervision of the savings of those who work for him. There is the danger that a too sectarian

view of his part may do more to hurt than to help the cause. We have to distinguish between the evangelist and the crank—between the man who recognizes the vast economic values and the man who considers first his own needs and secondly the needs of the workers and the community. The most flagrant species of the plans which put personal need above that of the community comprises those ostensible savings schemes which are really only devices financially to tie the workers to their jobs.

In another class of savings societies a man makes regular weekly deposits and thereby gains a certain loan credit which he is enabled to repay in weekly instalments. These, of course, are not savings plans at all, but are more in the way of coöperative loan societies.

The third class is the private bank run by the employer in which he receives deposits and checks out according to the desire of the depositor. This is banking rather than saving and it is rather dangerous business for a non-banking employer to engage in an enterprise of this sort. As Dudley R. Kennedy puts it: "A manufacturer is not a banker, and when he steps outside of his capacity as a manufacturer he always arouses antagonism or suspicion as to his motives, which can, unfortunately, never be entirely removed."

A favourite design of the first plan is one in

which the employer receives deposits or withholds sums from wages and then periodically adds a bonus or some proportion of the deposit accumulation either as a pure gratuity or under the guise of a share of the business profits. The worker very rightly protests against this scheme on the ground that if he were paid a fair wage the company would not be in a position to pay a premium. And, as a matter of common sense, if the urge to real thrift, to real savings, is sufficiently strong the corporation cannot possibly duplicate the savings—for the savings might easily amount to a considerable portion of the company's assets. The wage fund is the biggest fund in the country and if the proportion of it which can be saved is saved, then there is no other fund anywhere to match it—but that is a detail. The real objection is that if a premium be paid for savings then the savings will be accumulated not from the desire to save, but from the desire to get something for nothing.

A prominent bonus plan is that of Sears Roebuck & Co. This has been in operation since July 1, 1916. The company contributes 5 per cent. of its net earnings without deduction of dividend to stockholders to an employee's profit-sharing fund, the employee being required to deposit 5 per cent. of his salary and in no case more than $150 a year. The employee must have com-

pleted more than three years of service before he is eligible to join in the plan. About 17% are commonly eligible. After ten years of service the participant may withdraw his savings and profits; in the case of death the personal representatives of the deceased receive his credit balance regardless of length of service. If a participant withdraws before the ten years of service are completed he receives his deposits plus 5 per cent. compound interest. Once having withdrawn he cannot reënter the fund and he must withdraw if he leaves the service of the company. This fund is handled by trustees and is invested in the stock of the company. Here is an example of how it works out: An employee, who, during the first two and a half years of operation, received $20 per week, would on December 31, 1918, have to his credit $593.52, invested in $3\frac{8}{10}$ shares of the company's common capital stock which on that date was worth $643 market value. This employee had contributed at the rate of $1 per week or $130 in all. Had he contributed at maximum rate of $150 per annum, he would have deposited $375 in the fund and been credited with almost eleven shares common stock with a value of more than $1,900.

The Sears Roebuck plan is actuated by the best of motives but it is hopelessly eleemosynary

and quite at variance with the independence of spirit which should characterize a good worker. Whenever an employer is able to "give" something to the worker over and above his wage, then there is something the matter with the employer's profit. If workers are already getting a fair wage for their work and the profits of the business are, year in and year out, large enough to be diverted at will without protest from the stockholders, then the goods should be sold more cheaply so that the profits will not be so large. And finally, it is not in the interest of true thrift to say that a man must be on a job for a certain period before he is permitted to become thrifty. The employer is confusing thrift and his own interest.

Unless manufacturing or distributing is ever lowering the price to the public, then it is not performing a service and is not facilitating the largest possible production and the widest possible distribution. It is axiomatic that widening distribution cannot be had (and the whole purpose of society is to widen distribution) without constantly lowering prices. But it must be patent that any scheme by which an employer adds to savings is not to be considered as a matter of thrift at all but only of charity plus self-interest. The addition must in the end come out of increased sales prices and the whole

idea is in opposition to the fundamental principles of thrift and is exceedingly pernicious. Of course, as a general plan, it cannot be considered at all because every business does not and could not have excess profits out of which to match savings.

The Metropolitan Life Insurance Company has an essentially similar plan which is open to precisely the same objections in so far as the bonus contribution of the company is concerned but it is not otherwise quite so unconscionable, for an insurance company is better able to handle the money of employees than is a mercantile corporation. The business of the former is in money, while the business of the latter is not in money and their officers can have only an incidental investment acumen.

The savings and loan associations develop more largely on the loan side for they are looked upon by the employees not as vehicles for savings but as cheap avenues for getting loans. As such they perform a service; a man sometimes must borrow. A good example of this is contained in the statement of the well-managed Relief Department of the Baltimore & Ohio Railroad. This has three divisions—the sick benefit, the savings and loan, and the pension division. With the first and the third we are not concerned. But, in the savings division in a typical year there

were 1,090 new accounts depositing $1,941,665.06 and 965 loans to a total of $1,140,062.20; the total deposits in twenty-five years were somewhat over twenty-three millions and the loans somewhat over nineteen millions. The borrowing, rather than the savings, predominates. It is really more of a building society.

A plan in which the savings and loan features are combined and which is in many respects admirable, but which is quite too complicated and requires too much bookkeeping for most concerns, is that of the New York Edison Company. In detail this plan is as follows:

The Board of Directors may admit any one who subscribes for or becomes owner of shares of the association. Also, it shall select as depository for the funds, a bank, trust company, or savings bank, organized under banking laws of the State of New York whenever practicable. It may invest money in first mortgages on realty. Capital of the association consists of dues and dividends credited to its members and is divided into shares. Payments made upon shares are called dues. Matured share is $200.

(1) *Installment Shares* payable at rate of $1.00 per month. There is a fine for non-payment of dues. Dividends on these shares are at least at a rate equal to that of other shares of the Association.

(2) There are also *Savings Shares,* dues on which are payable in such sums and at such times as the holder decides. No fines or forfeiture for non-payment of these dues. Dividends on these are at rate of 80 per cent. of the rate on Instalment Shares.

(3) *Juvenile Shares*—dues payable in such sums and at such times as holder chooses and the shares to be issued to or in the name of a minor. Dividends apportioned at rate of 80 per cent. of rate on Installment Shares. These savings may only be withdrawn by such minor. These shares not chargeable with fines or losses. Owner of such shares not entitled to vote at meeting of shareholders.

(4) *Accumulated Prepaid Shares:*

Class I—Maturity value of $100 upon which a single payment of dues of $75 per share shall be made at time of subscription. Dividends at same rate as that on Installment Shares. If shares are withdrawn before maturity, the total amount of dues paid together with 80 per cent. of dividends is paid to withdrawing member, the remainder reverting to the Association.

Class II—Maturity value of $100. Single

payment of $90 per share required at time of subscription. Dividends paid at same rate as that on Installment Shares, of which dividend a portion not exceeding 3 per cent. per annum shall be paid in cash at time such apportionment is made, and the remainder shall be credited to such shares for the purpose of accumulating their maturity value.

(5) *Income Shares:*

Class I—Single payment of $100 per share shall be made at time of subscription. Dividends apportioned and paid in cash at such rate not exceeding 5 per cent. per annum as may have been agreed upon at time shares were issued, but not exceeding the rate on Installment Shares.

Class II—Single payment of $100 per share shall be made at time of subscription. Shares not withdrawable until expiration of fixed period, not exceeding 10 years from date of issue. Dividend at same rate as on Installment Shares, out of which dividends a portion not exceeding the rate of 4 per cent. per annum may be paid in cash to shareholder. The remainder of apportioned profits shall be held to credit of such shares, but shall not be payable until expiration of the fixed

period above mentioned. These shares may be withdrawn before fixed period by mutual consent of the holder and the Board of Directors.

The funds of the Association may be invested as follows and in no other manner:

(1) In loans to members of Association, secured by bond and mortgage on real estate accompanied by transfer and pledge of the Installment Shares borrowed upon and all accumulations that have or shall accrue thereon, as collateral security.

(2) In loans to members on Installment Shares, secured further by bonds and mortgages on real estate, by terms of which the dues paid may, at option of borrower, be applied in reduction of the principal of the loan. The yearly payment of dues and interest on such loans shall equal at least 12 per cent. of amount loaned and no premiums shall be charged upon such loans.

(3) If, at any time, there is money in treasury in excess of amount needed to meet demand for loans to members, it may be invested in the same kind of securities as savings banks are authorized to invest

deposits and the income derived therefrom, and on bonds and mortgages on unincumbered, improved, and productive real property in the State of New Jersey within 50 miles of place of business of the Association, to the extent of 60 per cent. of the value of said property.

(4) Surplus Funds, for which there is no loan, withdrawal, or matured-share demand, may be loaned to another association of like character, doing business under the Banking Law. Interest at 6 per cent. may be charged on all loans on bond and mortgage secured by Installment Shares; and also on loans to members on their notes secured by shares of the Association.

The third class of supervised saving comprises the actual management of a bank. The Pennsylvania Railroad, for instance, permits employees to deposit in even dollars up to $100 per month, allows 3½ per cent. interest and guarantees both principal and interest. Last year the fund had about ten thousand depositors which is decidedly a small number considering the many thousand employees of the railroad and the convenience of making deposits. The Stetson Company has been running the same general sort of a fund since 1897, allowing however, 5 per

cent. interest, but never have more than 10 per cent. of the employees availed themselves of the opportunity.

There are various other funds established along these several lines but it would add nothing to the presentation to enumerate all of them. It is enough to say that none fulfils the reasoned and reasonable requirements of an investment means for wage earners as set forth in the previous chapter. And, because the provisions of the employer-supervised funds are at variance with the real independence of the worker, they practically fail—that is, they are hopelessly inefficient in comparison with the opportunity. From the employer's side many of these plans are very undesirable because of the high bookkeeping expense. Often the costing system of the employer is not sufficiently comprehensive to permit him to know exactly how much he really is paying for the service that he renders to a fund. When he gets the real figures they are usually surprising.

An idea which is pressed by Lord Leverhulme and which has been attempted in several factories is the "deposit" system of paying wages. Instead of paying the man in cash or in a cheque the amount is deposited to his credit in a bank—he is given a bank account and is then permitted to draw in the ordinary manner. The idea is

that thus the money will not "burn the pocket" and thrift will be encouraged. But the objections are self-apparent; if the amount deposited is large enough to be dignified by the name of salary, the recipient will have a bank account anyway and will resent having another bank forced upon him. If the amounts deposited are so small that the worker is obliged to draw most of it out every week, the banking cost of the transaction is prohibitive. And finally, in many states, there is a considerable doubt of the legality.

The paternalism exhibited in the employer's supervision is highly objectionable. No worker wants to be treated as though he were unable to care for himself—whether or not he may be unable to care for himself depends upon the point of view. If we cannot have thrift without paternalism then why have thrift at all? The effect of an employer's interference with the money of the workers is really opposed to thrift for the desired economic result is not achieved—the spirit of thrift is not developed. For these and other reasons, the general trend of forward-looking employers' opinion is opposed to any interference with what the workers may do with their money. Such employers want the men to save from desire and not from compulsion and that, too, is the attitude of the labour leaders.

Recently, an investigation on this point was made by a corporation interested in the promotion of thrift and I am privileged to give some of the replies—they are both interesting and representative. The correspondents were asked these questions:

(1) Should the savings of the employee be entrusted to the employer or to regularly organized and supervised savings institutions?

(2) Does the employee prefer in his savings transactions to deal with the employer or with an independent savings institution?

(3) Is the encouragement of saving by the contribution on the part of the employer of large percentages or bonuses proportioned to the employees' saving economically desirable?

Here are some of the answers in part:

G. E. Emmons, vice-president, The General Electric Company, Schenectady, N. Y:

> I feel as a rule it is better that employees should entrust their savings to regularly organized and supervised savings institutions which safeguard against any possible loss in case the employer should become financially embarrassed.

George B. Cortelyou, president, Consolidated Gas Company of New York:

Regularly organized and supervised savings institutions—as a general rule.

Independent savings institution.

No.

W. S. Stone, grand chief, Brotherhood Locomotive Engineers, Cleveland:

In my opinion, the savings of the employee should be entrusted to a regularly organized and supervised savings institution. I do not believe it good policy either for the employer or the employee to have the employer handle the savings of any of the people in his employ.

My experience has been that the employee prefers to deal with an independent savings institution.

I do not consider a bonus system desirable. If the employee is receiving a proper wage, it will not be necessary for a business organization to pay a bonus. Furthermore, a man's wages is something which he has earned—it is his own—something that he can demand shall not be taken from him. A bonus is an uncertain quantity—something that can be taken away at any time.

Experience shows that the hope of a bonus is held out to some employees to forestall their requests for a proper living wage.

N. C. Kingsbury, vice-president, American Telephone & Telegraph Co:

As to the question of savings, the employer will have done his part if the machinery is provided by which saving

on the part of the employees is made as simple and as easy for the employees as possible. It is undoubtedly true that a large number of employees would save provided the only effort required on the part of the employees was to ask the employer to deduct an amount from their pay regularly to be placed in some savings fund or to be applied to the purchase of stocks or other securities. In other words, the problem is largely one of overcoming the inertia of an employee with respect to savings. In many cases it doubtless seems too much trouble merely to take the money and proceed across the street and deposit it in a savings bank or in payment of securities, whereas if the money can be automatically (so far as the employee is concerned) deducted from his earnings and applied to savings, it is our opinion, based upon some experience, that many employees would save small sums when the matter is thus made easy for them, which they would not save in any other way.

Generally speaking, the savings of employees, in our opinion, should not be entrusted to the employer, although it is undoubtedly proper for employees to invest a fair proportion of their savings in suitable securities, and such might well include those of the employer's business.

Eliminating the fact of safety, in all probability if the machinery for saving is made simple, the employee would prefer to deal with independent savings institutions or investment houses. As a matter of fact, however, many employees doubtless trust the judgment of their employer as a safer and better guide than their own judgment.

While it might appear at first glance *economically* desirable for the employer to contribute a large proportion to employees' savings, it is doubtful if in the long run it would prove economically sound, and it seems to us to be not *morally* desirable. It tends to paternalism which, as stated above, is not in our opinion desirable in industry

James P. Holland, president, New York State Federation of Labour:

I am of the opinion that the employees would much prefer to have their savings placed with regularly organized and supervised savings institutions. While it is a good plan for the employer to encourage savings and thrift among his employees, the workers prefer that they be given all their earnings at the end of the working week and not held up in any way, for there is always a lurking suspicion in the minds of the workers that they may be prevented from securing funds which the employer has saved in the event of a strike or a disagreement over some other inside industrial problem.

This is practically the same to my mind as question (1). I emphatically say that the employee much prefers to deal with independent savings institutions and particularly with the United States Government. This is illustrated very strongly by the way in which the workers purchase the War Savings and Thrift Stamps and how they are now demanding that nearly every convention of the International Unions, the State Federations of Labour and also at the last convention of the American Federation of Labour which was held at Atlantic City in June, that the Government continue to place this system of saving at the disposal of the people. Nearly all these resolutions have been very strong in demanding that the Government specialize in advertising this opportunity to the workers for investing their money in the Government by the purchase of thrift stamps.

If the employer will pay his workers wages that will give them an opportunity to live decently according to the cost of living and that will leave an adequate margin for the bringing up and education of their families in an intelligent and healthy way, he will not have much difficulty to induce his employees to practise saving and

thrift, but I would not be in favour of any individual employer attempting to encourage thrift by the payment of bonuses or percentage of their wages Everything that is coming to an employee should be given to him at the end of the week's work and all other things are usually considered by them as devices to defeat unionism and chain the employee to a particular employer, which in the long run defeats its purpose, for it destroys individuality and initiative and these two things have been the greatest milestones not only for human progress but for the advancement of American ideals and standards You can point to many races in Europe to-day where the employers and those who thought they were selected to govern and think for the people by Divine Right and surrounded themselves with people in whom they thought individualism and initiative were stamped out, and in the countries where the greatest efforts were made to prevent the initiative and individual thought by withholding education, decent working conditions, and high wages, the reaction has been the greatest. Now is the time for employers in America and those who think seriously about our future, to get down to a definite working arrangement with their employees, not for their individual business but for their particular industry as a whole, and its relationship to the rest of this country's business.

Coleman du Pont, New York:

It is much better to deposit a savings in some approved organized savings institution. If the employer takes it, it is apt to create bad feelings in a concern of any size.

I should say the employee prefers dealing with an independent savings institution.

I believe bonuses should be paid for something done of monetary value to the company. For instance, a man who invents a patent that is useful, discovers a process that is

useful, suggests a method of manufacture that is useful and profitable or a way of keeping books that eliminates expense, should be rewarded by a bonus; that is, a bonus should be given where the monetary value of the employee's suggestion is put into effect. If you give everybody alike, it is profit-sharing, not bonus.

John Golden, president, United Textile Workers of America:

My opinion is that the savings of workers should be entrusted to regularly organized and supervised savings institutions rather than to the employers.

My experience of over thirty years as a representative of organized wage workers convinces me that employees in general prefer to deal with the above-named savings institutions rather than with the employer.

I wish to state that organized Labour is opposed to bonuses on general principles, and does not look with favour upon any system of savings by employees being brought about in this manner.

A. B. Jones, second vice-president, The B. F. Goodrich Company:

I recommend that employees' savings be deposited in regularly organized and supervised savings institutions. This is our practice. The workman has an unalterable opposition to divulging to his employer the amount of his savings. He appears to have a conviction that, if his savings are large, this fact in the knowledge of his employer will mitigate against an increase in wages which, of course, is entirely unfounded, but at the same time, it seems impossible to convince the employee that this is not true.

We cannot commend the practice which seems to be

growing in this country of paying percentages or bonuses of any kind. There might, at the present time of extraordinary high cost of living, be some logic in paying temporary bonuses, but we are not in favour of this practice over a period of years, as we have failed to know a single instance in which bonus was paid that it did not ultimately become, in the mind of the recipient, a part of his just and fair wage, thereby entirely losing its identity as a bonus.

Royal Meeker, U. S. Department of Labour:

Employees would prefer to manage their own savings.

I think the plan suggested would not be looked upon with favour by employees.

R. S. Butler, United States Rubber Company:

My personal opinion is, that under normal conditions, it is preferable not to have the savings of the employees entrusted to the employer. There are, however, conditions in which it is desirable to have this done. Where it is done, I think there must exist a very close and intimate relation between the employer and the employee brought about by long years of mutually satisfactory coöperation.

Wm. H. Meadowcroft, assistant to Thomas A. Edison (for Mr. Edison):

Savings Banks are the proper Custodians of a workingman's savings.

H. A. Pratt, vice-president, Standard Oil Co. of New York:

I believe that in times past we made a mistake of loaning money for the purchase of our stock to our employees,

for while it has worked satisfactorily with the employees who come under the general head of Junior employees, it has worked just the reverse with the men higher up. I am therefore in favour of having a banking institution handle the account so as to do away with the personal equation, which, in money matters, is just as dangerous among business associates as it is among friends.

Andrew C. Imbrie, treasurer, The U. S. Finishing Company:

We believe that the savings of employees should be entrusted to a regularly organized and supervised savings institution rather than to be lodged with the employer.

It is our impression—though we have no figures to justify this opinion—that the employee prefers in his savings transactions to deal with an independent savings institution. With respect to subscriptions on the part of employees for Liberty Bonds to be paid for out of wages in installments, the practice of employers has been so general, that we are not prepared to say there is any prejudice against such a system.

Bonuses no doubt encourage savings, but if they come to be depended upon, they fail to encourage, on the part of the employee, the habit of continued thrift. It is a regular weekly or monthly habit of saving money that ought to be encouraged This has a disciplinary value and effect upon character that is more economically desirable than an easy-going dependence upon a bonus system, as a means of saving money.

Boris Emmet, Dress and Waist Manufacturers' Association:

There is no doubt in my mind that from the point of view of the employee it is decidedly more advisable to

have savings in the hands of regularly supervised savings institutions instead of in the hands of the employer. The opinion of intelligent workers is that such an arrangement would, somehow or other, be an additional lever in the hands of the employer to prevent the employees from freely quitting their positions, or from making demands for wages and conditions. This may not be true of certain enlightened employees. The fact, however, remains that the employees—intelligent employees—usually feel that it is not the problem of the employers to supervise their savings.

Mary Anderson, assistant director, Woman's Bureau, Department of Labour:

We feel very much that this question of savings ought to be left to the employee, free from the employer's regulations or supervision, for the employee to choose the organization that he wants to place his savings with independent of the views of the employer on the subject.

I believe we learned during the Liberty Loan campaigns that some employers, at least, could not be trusted to handle very carefully the employees' payments. I believe most working people prefer the U. S. Postal Savings Institution.

The question of bonus was much discussed during the war period, particularly by the War Labour Board which was organized to settle industrial disputes. They found upon investigations that bonuses paid by the employers was a bad practice; that it was used for speeding up purposes and that it held the employee in bondage which was not calculated to be for the best interests to the citizen as a whole. I don't believe that the employer ought to pay any part of any employee's savings; that the employer ought to pay wages so that the employee would have a chance to save for the future entirely independent of the employer.

F. S. Terry, National Lamp Works:

In our opinion, the encouragement of Thrift among employees will have more to do in overcoming labour dissatisfaction than will anything else. We believe in so-called "welfare work" for the good and efficiency of the employee and to fulfil our own responsibilities but we have no doubt that these things are appreciated by the employee and contribute much to better relations between capital and labour.

If we offer to our employees only investments in which we have an apparent interest, we will fail to benefit those of our employees who are suspicious of our motives. It is of even greater importance that these suspicious employees should acquire the habit of Thrift.

It may seem unfair unreservedly to condemn the honest efforts of employers to cause their people to save by the provision of what they consider adequate means for saving. Let us preserve the distinction between encouraging savings and supervising them. The employer is not the father of those whom he employs; he may jolly himself into the benevolent attitude of being a public benefactor by the very provision of jobs—there are quite a number of men who hold this amusing view. But that sort of a man has either a distorted idea of economics or is a hypocrite. No business institution exists only to provide employment. If the employer gives away his profits—and not a few do—even then the business does not and cannot rightly exist as

a charity; the operations of making the profit and then giving it away are not to be confused. A business exists to serve the public with goods or services; it can have no other excuse for existence. And although once the employees were the servants of the master, now they are his co-workers—or ought to be. That is the ideal of industry. For an employer to take a fatherly care of a man's money is counter to that ideal.

Chapter IX

The Savings Merit of Stock Ownership and Profit-Sharing

THE ownership of shares of the capital stock of a corporation by the employees is something very different from profit-sharing, but because they are so frequently linked and so frequently confused they are here brought together, first clearly to distinguish between them, and then to examine into their several merits as related to the stimulation of thrift among wage earners.

Most stock-ownership plans for employees are in the way of investment direction and counsel through affording an easy partial-payment plan for the purchase by the employees of shares of common or preferred stock in the corporation for which they work. In a few cases such as that of the Sears Roebuck Company noted in the last chapter, and in the latest development of the Procter & Gamble plan (which will be taken up presently in this chapter) there is a combination of savings and investment—that is, the savings, with or without an added bonus, after they have reached a certain size automatically

are invested in the corporate stock. Then the savers acquire the same status as the stockholder who purchases through a broker on the outside. Where the plan involves an outright purchase of stock with the right of transfer there can be no question of profit-sharing; the owner of the stock receives profit upon his money invested and not by reason of his employment with the corporation. He gets his profit because he is a stockholder and he would continue to get it whether he remained in the workshop or journeyed to Timbuctoo.

The twilight zone between independent stock-ownership and profit-sharing is in those companies where the employee is permitted to buy stock on the partial-payment plan or with a promissory note, and is required to resell this stock to the corporation upon leaving its service. Although the holder has for the time being all the rights of the outside owner of stock his status is a temporary one depending upon his tenure of employment and therefore comes more nearly into the profit-sharing class with the stock interposed merely for bookkeeping convenience —the stock is usually acquired at a discount.

In out-and-out profit-sharing, a sum is set aside by the corporation either in an arbitrary percentage or in relation to the dividend declared and is paid to the qualified wage earner

in proportion to the wage that he has received. In some companies the profit is not paid to him but is placed in a fund which, after a certain number of years and under certain conditions, becomes available to him as freely owned property. Whether the plan contemplates the actual sharing of profits or the gift of a bonus depends upon circumstances. In most cases that which is called profit-sharing is really a bonus presentation wholly unrelated to earnings and often even guaranteed.

It is undoubtedly of the highest economic value to have an employee acquire an ownership in the corporation for which he works. It follows along the line that has been steadily urged in this book of minimizing the antagonism to Capital by having everyone become a capitalist. It would be an approach to the perfect state if all of our workers were also capitalists and it is eminently desirable that they be afforded the opportunity to purchase stock in their employer-corporation, provided that they are taught what they are doing and that they acquire the same independent standing as any other stockholder. Putting a string on their stock in the way of compelling re-sale when leaving the service of the corporation is, for reasons which will be discussed under "Profit-sharing," eminently undesirable.

It would not become necessary to discuss

stock ownership in an exposition of thrift were it not so often regarded as a substitute for savings as a panacea for social unrest. That it is not. It may be expedient for employees to buy the stock of their corporation if they are working for a sound and well-established concern, but they could hardly, in good faith, be induced to adopt a similar relation if they happened to be working for an unstable corporation in which their money might be speculatively employed. It is one thing to put wages into Pennsylvania R. R. and quite another thing to put them into "Good Fellow Oil" stock! All stock-ownership plans are to be commended if they are considered only as affording to the wage earner an opportunity for investment which he is free to take or leave. They are to be condemned if they are presented as something which the worker must take and are pressed upon him as the only conceivable avenue for the exercise of thrift. To invest savings in stock is a sequence to thrift and not an inducement thereto.

The number of "absolutely secure" investments is remarkably large. It would be decidedly unusual to find the president of a corporation who would not recommend his stock for investment—if he had any to sell. There is no dearth of people who will afford you a chance to make money. A widow in Pittsburgh put this

advertisement into a newspaper: "MONEY TO INVEST. Widow with $10,000 wishes to invest to obtain highest possible return. Investment must be absolutely secure, giving regularity to income. Reply, giving full details, to D-35, Care of This Office." And here are the investments she was offered:

(a) In a Saw Mill.

(b) In securities that would net her 37 per cent. annually.

(c) In an honourable business, entirely safe. Details not given.

(d) In a 26 per cent. "investment."

(e) Oil stock "practically guaranteeing a 24 per cent. return."

(f) In a Restaurant Company with a 30 per cent. return.

(g) In a proposition not disclosed, but "guaranteeing" 12 per cent. return.

(h) In a banking proposition giving 35 per cent. return.

(i) In an Arizona Copper Company that would bring "quick and large returns."

(j) In a General Contract and Hauling Business.

Three of these investments might be worthy of investigation; the others certainly are not.

Yet presumably all of these enterprises have, or want to have, employees. Would it help the productive capacity of the country if the employees of these concerns had their wages juggled back into the treasuries of their several companies?

This is a distinction which cannot be too clearly preserved for, as in all of these matters, it is miraculously easy to lose our bearings and therefore our course upon the economic sea.

What we are after is the bettering of society through the providing of more capital facilities and it is obviously as ridiculous to predicate thrift upon being employed by a thoroughly sound corporation with a satisfactory dividend record behind it as it would be to insist that workers turn their money into unsound corporations. The majority of workers are not employed by sound corporations, but by corporations or individuals of precarious financial standing. The corporation in which one would counsel a worker to invest his money is the exception and not the rule. An employer suggesting investments to his employees is in a morally fiduciary rôle—even though he assumes no legal obligation. He hurts thrift by asking people of small means to risk their money.

An excellent stock-purchase plan is that of the U. S. Steel Corporation. It is almost a

straight business proposition. The subscriber authorizes a deduction for the designated installment from his salary or wages, which deduction must not be less than $2 per share, but in no case can it exceed 25 per cent. of the monthly wage. Interest on the deferred balances is charged at 5 per cent. and dividends are credited; the total of payments and dividends is designed fully to pay for the stock within three years. Once the stock is paid for, the purchaser receives a certificate which is his property to do with as he likes. During the subscription period a right of cancellation is exercised by the company upon the request of the subscriber, upon leaving the service either voluntarily or through discharge or by neglecting payments for three consecutive months. The amount paid on a cancelled subscription is then returned with interest at 5 per cent. In order to avoid the difficulty of these worker-stockholders too freely offering their shares on the open market a bonus is offered for continued ownership. If the subscriber exhibits his certificate for five successive Januarys he receives a cash payment of $5 a share on each share of stock held—that is, $25 per share, provided, however, that he is still in the employment of the corporation. In the case of permanent disablement the injured subscriber or

his estate, receives the unpaid premiums for the balance of the five-year period. In March, 1919, 61,000 out of 273,000 employees of the corporation were stockholders and they held stock to the par value of $15,600,000.

This is a straight stock purchase and is in every way to be commended—up to the point of the bonus. That is charity. The difficulty, however, is that the plan does not reach enough people and that is is quite impossible to explain fluctuations in value to the ordinary worker. He is perfectly certain to conclude that someone is "rigging" his stock. And further, in the case that a dividend should be passed, it is probable that an immense amount of dissatisfaction would arise. It would involve the company in endless explanations. However, there can be no better investment for the worker than in the company for which he works, provided that company is sufficiently strong to be classed as "gilt edged," and if no pressure to invest is put upon him.

On the other hand, the doctrine of not putting all the eggs in one basket might direct a worker to invest in some concern in which he has no direct interest and which would not be affected by reverses in his own particular line of industry. This is a matter for the worker.

Without going into the various pros and cons

of this subject it is enough to say that there should be no conflict between thrift and stock ownership and in the encouragement of this thrift it would more or less seem to be the duty of the employer to provide all and every method that might appeal to the workers. If buying stock appeals to one, let him buy stock; if another investment form has a greater appeal, lead him to that—it would seem merely common sense to provide a somewhat diversified investment menu. What we want is thrift and investment.

Profit-sharing, however, is on quite a different basis. Not only does it lead to extravagance, but it is seldom sincere. I have yet to discover a truly successful form in which real profits are shared on other than a charity basis—although a large number of schemes and ideas are in vogue. The plan which by its age, sincerity of thought, and integrity of administration is entitled to the first mention is that which in one form or another has been used by the Procter & Gamble Co. for more than thirty years. Back in 1887 a certain part of a year's earnings was set aside and distributed in cash to all employees in proportion to their wages. Within a short time the amount to be distributed was fixed at the same rate as that paid on the common stock of the company. This is a favourite idea because it appeals to a sense of justice. The

employer usually arrives at this calculation by saying that the worker should get as much as stockholders, but we shall shortly see there is no real reason to commend such a course.

The Procter & Gamble Co. thought that giving the employees lump sums at intervals would encourage them to bank the extra money and give them a sense of partnership. Instead, exactly the reverse happened. To quote from the company's own report:

> It had a tendency toward extravagance and become a distinct demoralizing influence. The money was spent and over-spent before they received it. It was looked upon as additional wages and had not the effect upon the majority of increasing their loyalty and interest and of adding to their prosperity and the habit of saving.

The company's present plan involves profit-sharing through stock ownership. Any employee who has been with the company thirty days is eligible to share in profits by applying to the trustees of the plan to purchase for him an amount of stock equal to his yearly wages. The trustees buy on the open market at the prevailing price and open an account with the employee. He is credited with the profit-sharing dividends as well as the regular dividends on the stock. An initial deposit of 2½ per cent. of the purchase is also required. Interest is charged on the debts at 3 per cent. a

year. The purchaser is guaranteed by the trustees against any decline in value of his principal. In this a departure from straight ownership is made. The stock pays for itself in from four and a half to five years. The employee then owns his stock outright and receives all dividends in cash—as any other stockholder. The largest participation of employees in this plan has been 60 per cent., although very efficient and very intelligent salesmanship has been used to sell the plan to the employees.

The general end of this plan is to establish something in the nature of a co-partnership in the business through the purchase of stock out of savings gained from profit-sharing and thus through self-interest to promote thrift. The man does not get a chance to spend the money. He is paternally safeguarded.

The universal difficulty—as has been indicated—in sharing profits in the hope of stimulating thrift is that generally there is no connection in the mind of the worker between the sums that he receives as "profits" and the work that he does. These additional sums come to him almost as manna from Heaven and therefore, the money has not the value of that gained by endeavour and, instead of being saved, is spent recklessly. Extravagance, not thrift, is promoted.

The whole idea of sharing in profits presupposes that there are always profits while as a matter of fact, we know that hardly 20 per cent. of all business adventures result in profit and that in many cases, our foremost corporations went through many struggling years before ever turning a profit. It is really destructive of the whole capitalistic system to encourage the belief that an inevitable sequence of engaging in business is a profit. We all of us wish that such were the case but, unfortunately, it is otherwise. Those who are successful are but the survivors. Those who have been lost vastly outnumber them. If we take the statistics that are available, in proportion fewer people are saved out of the business sea than were saved out of the wreck of the *Titanic*.

There is considerable confusion as to what profits are and to whom they belong. Profits are not the inevitable result of work. If the worker in the shop is efficient—if the direction of his activities is logical, and if his finished product is then turned over to a selling organization which knows how to sell at a proper price, a profit will result, but however well the worker may perform his part, it does not necessarily follow that the corporation will have a profit. The general staff of the corporation may misjudge the market; they may fix a price which is

too high to dispose of the proper volume, or again, they may fix a price too low to realize a profit. If the amount of raw material contained in the article is considerable a turn in the material market may affect the situation. In fact, an infinite number of reasons turn up to transform what ought to be a profit into a loss.

On the other hand, the worker may do his work poorly. He may exert a minimum of intelligence and yet so skilled may be the management that what on the face seems hopeless, develops into a sizable profit.

In the broader view of life it seems more equitable to pay a man for what he does—to pay a worker the full price for his services, to let that price depend solely upon what he does and not upon the managerial skill.

If the fabrication and the selling coördinate and are skilled, then there is the question as raised in the last chapter—whether or not the best course is to keep on with the large profit and consider it as profit, or to rearrange the manufacturing scale so that a lower price and therefore a steadier market may be afforded for the product.

But the dangerous part is to conceive that thrift, that savings, on the part of the worker should depend upon an employer's skill of management. The best modern thought pays

a man for what he does and for nothing else, with due care that the pay is responsive to the work.

If any employer thinks it well for his people to buy stock, by all means give them the opportunity. If he thinks it well to share profits, let him share them. The point is, let us open all avenues to thrift. No plan should be considered as exclusive.

Chapter X

Is the Thrifty Man a Better Citizen and a Better Worker?

ONE of the surely controlling instincts of mankind is the creative. Expressed in terms of industry it may be called "craftsmanship." We know that a man working for himself and with a deep interest in that which he hopes to achieve thinks nothing of time or food or what are ordinarily known as the "comforts" of existence. He presses on until sheer fatigue forces him to quit. Edison in the pursuit of an idea toils endlessly—snatching a little food as he works and resting for an hour or two right at the task and then going forward again. Almost any workman interested in building something for himself will, after a long day's work, start at his own task with a fresh energy and probably do more work after the day has officially closed than he did during the time for which he was paid. The old armourers and other skilled workers, who pursued an art as well as a craft, worked nearly continuously. When the master, the men, and the apprentices

all lived together they laboured through the evening as well as the day. Their first interest was in their work; they found more joy in working than in the so-called amusements.

Craft is absorbing. There are those who say that this spirit is dead among us, or if not dead that it exists only among inventors, among the survivors of the old craftsmanship, and among those who work in the arts. The broad statement that the modern worker is not a craftsman may be taken as true. The application of power and the intricate sub-division of labour (the effects of which we do not yet understand) tend to take away from the worker the personal sense of pride and responsibility in the product. It is hard for a man who merely dances attendance upon a machine to feel a sense of ownership in the product of that machine. That it is impossible I do not admit; but there is undoubtedly a vast difference between the craftsmanship which completely constructed a knife, blade, handle, and all, and the service rendered by the modern maker of a knife. In a skillfully arranged factory no one worker would do more than make a tiny contribution toward the completion of that knife; most of these services would consist in seeing that the pieces of metal went into a machine and came out again. The machine, not the man, would have the skill.

Take a worker in an automobile factory who, hour in and hour out, gives two turns upon a certain bolt in an endless chain of passing chasses. Can he really feel any sense of pride of creation in the resulting motorcar? Is he anything more than a hand?

A.considerable amount of the bewailing of the loss of craftsmanship in labour, however, comes from those who, not labouring themselves, confuse what they imagine would be their own feelings with the actual feelings of the workers. A man of keen sensibilities who has been used to a diversified day, say the day of a writer, looks with horror upon being practically chained to a machine performing an exactly determined set of motions which become so habitual as to be nearly involuntary. There would seem to be in such labour a soul-deadening that would have to produce in the course of time, not only an indifference to work but an indifference to every human activity. Upon a quicker intellect which, however, is not so quick as to rise above the conditions, the processs is deadening. But, singularly enough, upon a lower intellect the process is almost stimulating. Investigations have discovered that people reared in the slums find monotonous factory work almost a relaxation from the rigours of their ordinary lives. I have known a man who took a most extra-

ordinary pride in what he considered his profession of bottle-washing. Being a simple-minded soul he had evolved a whole technique of bottle-washing. The mere suggestion that any of the bottles which he had cleansed might under any circumstances be imperfectly cleansed roused him to violence. The abnormally ingenious mind can put craftsmanship into anything that it does—it surrounds the task with a fictitious play atmosphere. It will make a game out of monotony. The normally ingenious mind will be dulled by monotony while the sub-normal mind will find a deal to occupy it in almost any kind of a task.

It is the normally ingenious mind that is possessed by the majority of workers—whether skilled or unskilled. They are the mass to be considered—they are the privates of industry. And it is their kind of a mind—the majority mind—which unfortunately is dulled by the monotony of repetitive work. I recall a labour leader who at first worked in a factory doing some small inconsequential repetitive task and then turned to being a cabinet maker. He said that as a factory worker his chief interest was in the clock. His work meant nothing. But the skilled cabinet work stimulated his creative impulses and he never thought of time. Usually he was disappointed with the ending of the day.

The whole trend of modern industry in the United States is toward subdivided machine work in which the creative instinct is apparently transferred to the creator of the machine and the planner of the work. The narrow engineering view has been that, since skilled workers are in this country hard to get, the machine should have the skill and in effect the brains while the attendant need have only muscle and enough activity to keep out of harm's way. This, I say, is the narrow view because it has been demonstrated by the more advanced industrial engineers that no matter how mechanically perfect a machine may be, it is always the better for being intelligently attended and that there is something in the nature of machine limit. That is, there seems to be a point where the machine, being so perfected as to require no intelligence at all in its tending, the attendant becomes so vapid and careless that he will not do even his slight task and the machine is thus not permitted to function anywhere near its normal output.

It has been conclusively demonstrated that it is short-sighted and in the end destructive of production to regard a man as a mere machine. We cannot have machines that fabricate materials but destroy citizens. Yet we must have more and more production and we must substi-

tute machine- for hand-labour, for we are faced with a steadily diminishing supply of hand-labour—we need more than human hands can make.

If the machine displaces or destroys craftsmanship, then the progress of industry would seem to be away from craftsmanship. Some accept this as a fact and assert that with the development of machinery, the hours of labour must steadily shorten and that eventually, machine development will be so intense and will require such an intense application of human effort in the tending that a few hours a day will be as much as any man can work. There is a basis for this view; the men in the Ford shops cannot work beyond eight hours. (We need not discuss the fact that with such a short work day, the expensive automatic machinery would be idle so much of the time that the overhead cost might absorb the machine efficiency. The excessive overhead might, of course, be overcome by working the machinery continuously through shifts, but that from a humanitarian standpoint has not as yet been demonstrated to be wholly practical.)

Instead of shortening the hours and thus endeavouring to get away from the work that holds no craftsmanship, another school of engineers denies the whole premise. They take the view

that there is no job which is not the better for craftsmanship and they have proved this by showing the difference in output between a machine attended by a man who does not know what he is doing and a machine attended by a man who is exercising a full measure of craftsmanship but expressing himself through the machine as a tool. This school is very successfully endeavouring to teach men all about their work. If, for instance, the man tends a bolt-making machine, they let him know why that bolt is of a particular shape and size, when it is a good bolt and when it is a bad bolt, and how the machine fashions it, and why. On top of this knowledge they plan some kind of a quality standard or bonus that will cause the man to devote his knowledge consciously to turning out good work. They take away the pressure for quantity. There is no craftsmanship in quantity. But where the pressure is for quality, the quantity obtained usually exceeds that where the pressure is solely for quantity—and with less fatigue. And there is no comparison between the character of goods; under the quantity bonus any old thing goes, but under the quality bonus the emphasis is on perfect production.

It may not be possible to add all of the skill and interest of the old craftsmanship to the repetitive operations of modern industry but it

is easily possible to add at least something of that old craftsmanship and to a far greater degree than is commonly supposed.

To add craftsmanship is one of the larger problems of industry because if the employer and the employee are both concentrated upon the product they will almost as a matter of course treat each other fairly just as they will, as a matter of course, treat each other unfairly if both are wholly concentrated upon the financial return and neither giving much thought to how that return comes. There is no honour among thieves.

But there is another and hardly recognized stimulus to craftsmanship—to what is generally known as "interest in the job." This is through the stimulation of regular investment by the worker. It might at first seem that there could not be any possible connection between craftsmanship in the work and money in the bank. The connection is not obvious. But we get a clue to the existence of such a relation if only we reflect upon the extraordinary growth and dignity of the capitalist and the industrial captain during the last couple of centuries. In the older days a capitalist was only a money lender and occupied a position not very much better than that of a loan shark at the present time. The employer of labour while not so low as the

capitalist was, however, not a person entitled to respect in the community or to be trusted with any share of government or responsibility. He did not occupy a position in society any higher than that of the unskilled labourer to-day—in fact, the richest employer then had not so many rights as the poorest day labourer in this country has to-day. I am speaking, of course, of the day when the only honourable concern was fighting.

With the growth of industry, however, the position of the capitalist has steadily increased in honour and dignity and the position of the industrial leader has likewise so increased that to-day in the United States, the leading men of affairs are those who have been successful in industrial pursuits or in the handling of money as bankers or capitalists. As the importance of individual craftsmanship has decreased, so have increased the position and dignity of those who own machines.

And another remarkable fact is that all of the craftsmanship that existed in the best of the old hand workers is now, in altered form, in the men who manage industry. The more successful of these have a full pride of product. John H. Patterson, for instance, believes that the cash register is one of the most important devices in the world and he devotes himself to making it steadily more important. If his machine should

generally fail to function it would be a personal blow. It is the same with Samuel M. Vauclain and the locomotives, the building of which he directs at the Baldwin Locomotive Works. Henry Ford takes a similar position for his automobile. George F. Johnson feels the same way about shoes, and so does the Disston family about saws. There is in each of them a distinct pride of product—though not one of these men touches—and seldom, if ever, designs—anything that he makes. There is here seemingly a transfer of the instinct of workmanship from the actual or manual forming of the thing to the finished thing itself. Or, to put it differently, it would seem that these men have a personal sense of building these objects but instead of actually handling the tools, they handle the directing means—the men and the machinery to carry out their ideas. And so it would seem to follow that if we grant, for the moment, that the substitution of subdivided machine labour for hand labour has driven craftsmanship from the worker certainly it has given an even greater degree of craftsmanship to the employer. All of which begins to indicate that there is a connection between investment and craftsmanship.

The new instinct is not quite that of workmanship but it is something more than a satisfactory substitute.

Now let us see how this affects the worker—whether he, too, can acquire a similar interest even in the most monotonous of work.

The interest of the employer is the proprietary interest. He wants his product to be good because it is his. (I am treating only of that employer who insists upon a good product. The man who carelessly produces and thinks only of getting money is rarely successful in a large way and seldom continues in business through the years.)

A kind of proprietary interest exists among all workers. A man who is working at Machine A will often quit if he is transferred to Machine B—although as far as any human being can discover the machines are precisely alike. Mr. Ordway Tead gives some interesting instances of this in his book: "Instincts in Industry":

> The writer in a visit through a garment shop came across a young girl who was sitting at a sewing machine crying and sobbing violently. Inquiry revealed the cause of her sorrow to be that "her own" machine had broken down and she was being required in the hour's interval to use another machine in perfect repair and of identical make and capacity A book bindery in which the work was seasonal undertook to distribute jobs by transferring the girls among the departments. The effort was met at the outset by a strong feeling that the particular process which the girl already knew was "her job," and she neither wanted anybody else's nor wanted any one to learn hers. When a spinner in a yarn mill was asked to change from

some "frames" which she had worked for several years she abruptly left with no explanation In another factory I had occasion to settle a dispute between the management and the truck drivers. The management had decided to employ a stable-man to tend the horses and care for the harness. The intention was to cut off at least an hour from the working day of each driver. But objection soon developed because the men wanted to tend "their own" horses, and would trust them to no indifferent "lumper" in the barn. In a large foundry when the management found itself with a strike on its hands, it discovered that the men had all the forges numbered among themselves and each man was definitely assigned by the group as a whole to one which he had grown accustomed to by years of use. The attempt of a new foreman to transfer the man at "number one forge" to a different work place brought the whole department about his ears and created a perfect storm of resentment.

This is essentially a fictitious sense of proprietorship; it is a "make-believe." It is in analogy to the poor little girl who, wanting a doll, takes dream possession of one in a shop window and has an acute sense of personal loss when that doll leaves the window. But it does demonstrate that there is a yearning which is so keen that it must be met through the imagination if it cannot be met through the senses. Now what has all this to do with investment?

Let us go back a little. A man who is not only propertyless but sees no way in which he is reasonably going to acquire any property will not easily be interested in production. The

process of production means to him only an ordeal to which he must submit in order to be paid and hence in order to live. When, however, he begins to acquire property his attitude toward production changes, for he then sees in that process (even if he cannot assize his vision) a means of adding to his property. And then we have the genesis of a real sense of proprietorship as opposed to the make-believe. Thereupon that worker leaves what some are pleased to call the proletariat and joins the property class. He gains a certain aim and vision and, although that aim may not be very high or the vision very broad, their acquisition represents the difference between living and existing.

Let us take cases: The Endicott-Johnson Company, the great shoe manufacturers, during the year 1919 had a labour turnover of $2\frac{1}{2}$ per cent. In one department employing a thousand men there were only four changes in personnel. Their employees have a sense of proprietorship in the business. They consider it honourable. The sons follow in the footsteps of the fathers. There is no floating labour at all. A considerable majority of the workers own their own homes and because they have an acute sense of proprietorship, good work is the fashion. They have found where their real interests are. As one of them expressed it: "If we try to beat

our employer we are beating ourselves and by so doing we are the losers at both ends."

Take some of the things that these people have done. Paul Bennett, fourteen years ago, became an ordinary worker in the tannery at Endicott. He is still in that department and is still an ordinary worker. He has six children, four of whom work for the company and two are in school. From the beginning Bennett practised regular saving although his wages were never what would now be considered large. He got enough money together to puchase a lot with the intention of some day building a home. A few years later when his savings had grown to the point where he could start work on the house instead of putting up only a home for himself he used his cash to such good effect that he was enabled to construct a three-story block which contains a dry-goods store and four sets of apartments that is, he saved at a safe rate of interest until he found the opportunity to use his money to gain considerably more money. This man's work is notably good and he regards himself, and very properly, as a substantial member of the community.

Take Michael de Rienzo—he came from Naples eleven years ago and got employment in the shoe factory. He saved his money until he had enough to buy a second-hand barber's

chair and to rent a small shop. He worked there evenings because, the male population of the town being employed during the day, a barber finds little to do excepting in the evenings and on Saturday afternoons. He still works for the company but now he has a large first-class shop all of which he owns himself and he has a substantial bank account. He is now known as one of the best workers in his department yet eleven years ago he could not speak English and had never seen a shoe manufacturing machine or that ingenious contrivance known as an American barber chair.

I could catalogue many hundreds of similar instances in this company. And note that this company has never had a strike and its 13,000 men have, since the Armistice, increased their productivity while all over the country where high wages and extravagance prevail the individual productivity has decreased. The people have the sense of property. Poverty is not fashionable—it is a disgrace with them.

Henry Disston & Sons is another concern that has never had a strike. They have about 3,000 people and it is a disgrace among them to be propertyless. They have two large and exceedingly active building and loan associations. In the Tacony Trust Co., which is a trust company founded by the owners of the corpora-

tion but in no way connected with the industrial enterprise, a very large number of employees maintain checking accounts while considerably more than half of them have accounts in the savings department. Nowhere in the country is a greater pride of work exhibited than by these men. They are substantial citizens and feel themselves co-partners with the owners of the stock. A poverty-stricken "Disston man" is unknown.

The Submarine Boat Corporation at Port Newark, N. Y., only lately instituted a thrift campaign among their employees, the savings being cared for by an outside corporation. This concern had been engaged in war work. It had, in common with all of the shipbuilding plants, been compelled to pay wages out of all proportion to the work done and the same extravagant living prevailed among their employees as at all of the war-work plants. The habits of the workers was, as always in such cases, to work just long enough to produce a fairly large pay envelope and then to quit until they emptied the envelope. They were concerned not with the future but with the present and, as is quite natural, they at first regarded savings as a way of providing funds only for a spree. Of course not all were so minded. But, and this is important, those men who saved only for a spree or

because they did not at the moment know what else to do with their money, and then had their sprees as per schedule, thereafter began acutely to realize the economic value of savings and, with very few exceptions, re-opened savings accounts for larger weekly sums than before. Most of them have not since withdrawn the savings and in every such case the foremen reported a very considerable increase in the efficiency of their work. They found that well-financed sprees were better than those undertaken without sinister forehandedness and the lesson they thus curiously learned they translated into their more respectable life.

At the Ivorydale Plant of the Procter & Gamble Company one blacksmith who has been with the company thirty-four years and whose wage has never exceeded $150 a month and on an average hardly amounted to $100 a month, through saving and through canny use of the money saved his purchased stock in the company amounting to $65,000. He is probably the best of the blacksmiths.

One of the best workmen of his class at the Eddystone Works of the Baldwin Locomotive Company but who has never received much more than $25 a week through his twenty odd years of service, by constantly saving money and then using it to good advantage, has now more

than $40,000 invested and in addition has a large farm on which he lives in a house that he built himself during spare time. His "spare time" consists of Sundays and the periods before seven o'clock in the morning when he arrives at the plant and eight in the evening when he commonly leaves! These are not his plant working hours but he finds so many things to take his attention at the works that he arrives before the others and leaves after them.

These instances might be multiplied but those which I have given are characteristic and they serve to show how utterly at variance with the "getting-by" idea of the shiftless worker is the attitude of the man who has gained a stake in life—who has become a substantial citizen. A man who has not a stake in life can have no interest in his work—he has nothing to create for—he does not keep a score. And one who never keeps a score never learns to play the game. The man who never gets further than practising shots does not get much out of golf—he never gets into golf and might as well practise calisthenics.

Psychologists may perhaps say that what we have been talking about is not the creative instinct at all but the acquisitive and that the men I have instanced were animated by avarice and that they perhaps became creative, only through

greed. But the point is that, call the instinct whatever you please, the result of starting to save takes the feeling of property—of proprietorship—into the work and transforms the man from a mere industrial parasite into a sturdy member of society. And it is that end and not the psychic process that we are after.

For if poverty is a personal disgrace we shall not have the poor. That is, we shall have thrift.

Chapter XI

The Remedy

AND does it not all get down to something like this: Men are not striking for higher wages or shorter hours or for any of the things that formerly they struck for. Instead they are striking against work—against a formation of society in which they think that they have no stake.

If such is the case is not then the devising of some means by which all may have a stake of paramount importance? We know that a stake cannot be "given" but also we know that as wages now go, it can be earned. Then is not the providing of a proper means for saving—for positive thrift just about our biggest problem? For if we do not solve this one are we doing more than erecting an elaborate superstructure upon a shaky foundation?

This is the idea. Thrift is not just a good thing so far as the worker in industry is concerned.

We have for a long time been content with that amiable view. Somewhat perverted enthusiasts have even commended to our attention

the Italian fruit man on the corner who, living for the time being on the physique with which nature had previously endowed him, saves practically all that he earns and within a comparatively few years blossoms out as a capitalist. It is hard to be rid of this idea of thrift; it is hard to drop the notion that thrift and penuriousness are absolutely opposed—that the man who denies himself of the necessities of life at the expense of his physical well-being and the well-being of his family is every whit as thriftless as the Prodigal Son. And also it is hard to rid ourselves of the thought that thrift is only a social idiosyncrasy—that it is purely a matter of taste whether one cares to enjoy to-day in its fulness without a thought of the morrow or whether he prefers to use somewhat less to-day and have more for to-morrow.

We have been taught always that thrift is a prevision for the future and that it has comparatively little to do with the present excepting in the way of denial. Now I take it that this is not only an unwholesome notion of thrift but also an intrinsically vicious and anti-social view. Real thrift considered in all of its economic relations is not based primarily upon self-denial but upon wise spending, upon getting one's money's worth; upon, by the exercise of a discriminating judgment, so ordering one's affairs

that there will be a margin between income and outgo—that this margin will be returned for the uses of society so that he who is thrifty will not only augment his income from handiwork by a supplementary means but also will, through the affording of more facilities to society, make more potent his handiwork efforts.

This is the positive as contrasted with the negative thought of thrift. It is the social as opposed to the personal laying-up-for-a-rainy-day notion. When we come to think of thrift as an enlargement of one's capacity rather than as a limitation of one's consumption then bursts on us the bigger meaning of thrift—that it is not merely a good thing but a way of living that imperatively must be sold and with as much ardour as any commodity ever was sold. For the foundation of our present society rests upon thrift—that is, upon production exceeding consumption. If we think that those truths which we hold to be fundamental in our society should endure then we can preserve them only through thrift. If we have not thrift we must be prepared to accept a state of society into which profit does not enter—that is, we must accept something akin to the Marxian ideal as exemplified in Russia.

Let us examine the present situation. We live under what is called the capitalistic system

in which the possession of the means to produce is in the hands of those whom we call "capitalists" and the operation of those means to produce in the hands of what we know as "labour." There is no class distinction between Capital and Labour excepting when a concentrated effort is made to engender class consciousness. Labourers become capitalists and capitalists become labourers. With the forming of the corporation the ownership of capital has become widely diffused and a man may himself receive something in the nature of wages from the very capital which he himself owns. For instance, if A, B, and C formed a partnership or a corporation, A putting in all the money or even a part of the money, and all three work for and draw wages from this new partnership or corporation, then such of the partners as have money invested receive two distinct profits—one for their services as labourers and secondly a rental for their capital. The theory of wage slavery involves the hypothesis that capital is never owned by those who labour for it, that the ownership of capital rests in one class, and that it pays wages to another class, and that between the two must always be relentless warfare. Therefore the suggestion is made that instead of capital being owned by individuals or groups it be owned

by the community as a whole through the State, and that no wages be paid but, instead, that all production be for the use of and free distribution among the people.

The controlling idea is that since, under the capitalistic system, production is distributed only to those who can buy and thus the distribution is uneven and results in some getting nothing and others getting too much, this condition will be remedied by compelling each man to work for the State—that is, for the common weal—and in return he will receive not wages in money with which to buy, but the things that he could buy with money.

This doctrine which I have stated in very broad and not wholly scientific terms exists in a great number of forms and is particularly known as Socialism. From it ramify other doctrines which it is not necessary here to examine—Syndicalism, Communism, and numerous variations of the mechanics of production for use.

The capital objection to production for use is that it rests upon the false premise that there is always an abundance to distribute. We know that, however large production may seem, there has never yet at any time been enough for all of the world. The Socialists say that this is due to capitalistic limitation of production. Those of us who believe that the capitalistic system is

the most equitable that can be devised so long as this earth is inhabited by human beings and not by gods hold that, although production may be here and there limited, these limitations although apparently artificial at times really go back to an insufficiency of the means of production. That the limitations are made by Nature, not by man.

But in this we can all agree; that the capitalistic system cannot survive without a medium of exchange known as money by which the distribution of goods may be effected. You may in this or that instance be able to effect distribution by barter but it is impossible to arrange the large and complex distributions of modern life without some hand-to-hand passing substitute for goods. The exchange of the physical goods would put such limitations upon distribution that, as the world is peopled to-day, one half of it would be naked and starving.

We have to have a medium through which to distribute. We call that medium money and most of the civilized nations of the world have used gold as that medium and on gold have superimposed another more easily exchangeable medium known as credit. If you exchange specie you are but keeping up the system of barter and incurring needless expense. When you use the credit representation of gold—that is, of goods—

you have a medium whose transportation is easily managed and you permit the striking and cancelling of balances with but a very slight transportation of even the written instruments that represent credit.

The danger of the exchange of goods through credit mediums is that somebody somehow may create credit mediums that are not eventually exchangeable for goods—that is, that someone will put out more promissory notes than he is able to meet. When you call these promissory notes money and they are not represented by goods then you must mark them down to a point where they will represent goods. For instance, if a man worth a thousand dollars succeeds in putting out ten thousand dollars' worth of notes and, when they become due, pays only a thousand dollars, the salvage worth of the notes is one tenth of their face value. In the case of a community the salvage is not so simple, and numerous other elements enter, but whenever a nation issues notes to a value which either is or is not believed to be in excess of the reasonable redemption worth, those who take the notes discount them to what they think is the real worth.

If this were a level process the harm would be only temporary but in operation this condition which we call inflation does not bring about an

agreed-upon discounting but, on the contrary, the discounts change from day to day. Those who are accustomed to the old values still cling to them even if only for a mental comparison. Then the capitalistic ship of state, accustomed as it is to reckoning its course on the money chronometer, finds itself drifting on the high seas with an emotional chronometer upon which no dependence is to be placed. It does not know where it is at.

That is the condition of society to-day. By reason of the war we have produced more of the common representations of wealth than we have of wealth and, in the process of trying to relate real values (such as a bushel of wheat) to the artificial money standards that have been created, we all of us find ourselves helpless. We are trying to exchange goods through a medium of exchange of unknown value and therefore and inevitably those who exchange goods or services for this medium find themselves without knowledge of exchange values. They do not know what the exchange medium will buy. They do not know how all this comes about and hence there is a world-wide unrest and a strong movement which has reached its height in Russia to abolish the whole capitalistic system on the ground that an understandable medium of exchange cannot be reached.

The unrest is not expressed in these economic terms; it is expressed in demands for almost confiscatory wages. It is expressed in demands for the State to take over some parts of the machinery of production, but if you analyze every movement you will find that it rests upon one of two principles or sometimes combines both. The creed of the restless is this:

(1) That the method of distribution is faulty because of profiteering on the part of Capital and therefore those who work for wages must demand such large wages that a proper share of the distribution can be bought, or

(2) That the capitalistic system has failed to distribute and therefore should be abolished.

If all of the income, rents, and profits—if all of that which is commonly supposed to be the share of Capital—were divided, it would not add one quarter to existing wages. Therefore abolishing capital would not give to any one a great deal more while to some it would give a great deal less.

On the other hand, if those who work for wages can return a part of their wage to the capitalization of industry so that its production may be increased, then the wage earner will have, not only an increased wage because capital will have to compete for labour in order to make itself productive, but also he will get a share of the

return on capital in his left-handed function of being a capitalist.

That is, the way to get more out is to put more in.

In modern production an ever-increasing flow of capital is required. Long ago we reached the capacity of the toolless individual to produce. Then we put into his hands a tool; and then, after we learned something of the application of power, a better tool which he did not so much operate as manage; and finally we have found that production, to be increased to the world's necessity, could be brought about only through ever increasing the facilities of production—that is, of the machinery of fabrication, of transportation, and so on.

All of which requires a steady flow of capital! It must be self-evident that if there is very little capital in a country and a great deal of labour the man with labour to sell has to offer himself on the auction block and take what Capital has to offer, but if there is a great deal of capital and comparatively little labour it is the labourer who has the right to pick. Through the steady accumulation of capital is the workers' clearest road to freedom.

Capital is useless without him. Labour has the advantage when capital is abundant and is at a terrible disadvantage when capital is

scarce. Compare the condition of the working man in the United States as with his condition in the Orient. The Orient has little capital.

In the past the capital accumulations have been those of the employers. The working man has only within the past decade begun to come into his own and to understand that he was not a slave of capital but a co-worker with it. The first evidence of this new condition was the formation of labour unions. Any one who cares can examine the statistics which will demonstrate that as the investment in industry per man increases so do the wages of the workers and so does the strength of the unions. The unions are commonly supposed to be a cause, but economic history would rather tend to demonstrate that they are, on the contrary, a result.

The effect in ordinary times of adding capital to industry is to compel Capital to compete for Labour, to pay a higher wage, and then by an increased production, sold at a very modest profit, to acquire a reasonable return upon the capital invested. For instance, the packing establishments, although their profits are very large for the year, rarely average more than 5 per cent. on a turnover. But they plan their business so neatly as to secure an extraordinary number of turnovers. That is, by the skill of management they make large amounts of money

on a profit per dollar on which a small business could not live. As another instance, take Ford, who with a tremendous capital investment, pays a very high wage and is enabled to turn out an automobile and sell it at a profit for probably one quarter of the cost of fabrication in an ordinary shop. A machine which with one single blow fashions the tonneau of a motor car is performing a social service that is probably more eventually valuable than that of a whole flock of social settlements.

As a result of highly organized machine production the question of seasonal labour takes on a new meaning. The socialists object that manufacturers commonly produce to the capacity of the market, then shut down, and let the workers starve until those goods are absorbed. But with a great machine investment a factory cannot shut down—the capital charges are such that it must relentlessly go on, it is not possible to make and hold goods for a price because the interest charges on the idle capital would within a very short while absorb the highest profit imaginable.

Therefore, one finds that the accumulation of capital in industry not only raises wages but also prevents the bane of industry—seasonal production—and further, by forcing the factory to produce whether or no, compels it continually

to lower its prices in order to dispose of its product.

From the standpoint of the worker an increased investment in industry raises his wages, stabilizes his job, and increases the buying power of his dollar—that is, it increases his wages not only in dollars but increases the buying content of those dollars.

Were this doctrine of simple economics more widely taught we should not have so much nonsense about the possibility of a partnership between Capital and Labour; we should not have the talk about "helping the good workers and making their lives fuller," but instead we should preach: "Become a capitalist and not only increase the value of what you perform with your hands but get an extra profit besides!"

Thus viewed we get wholly away from the old tiresome paternal: "Save, my good man, and you will never know the inside of a poorhouse." We should not preach thrift by fear but preach thrift as power.

That is the situation in normal times. The present time is not normal. We have this excess of the medium of exchange over the things it may be exchanged for. We have an increasing supply of paper money and a decreasing supply of goods. By reason of the war this inflation was brought about. We destroyed—now we

must construct. It is unlikely that we shall revert to the former nomenclature of buying power. A dollar in the future may be equal to what 50 cents or what 75 cents was before. That is important but probably the whole matter of restoring the buying power is to be considered only as pursuing water over the dam. The really important thing is to stabilize values, to restore to us that medium of exchange upon which our social system is built. That can be done only by increasing production.

We can increase production absolutely and we can increase it relatively by curbing our needs, or what is far better we can do both. To increase production absolutely requires the addition of more capital to industry. Nearly every corporation is asking for money. But the man who had the money to invest before—that is, the so-called capitalist, the man whose income was so large that he might easily have a surplus for reinvestment—no longer has a surplus. The former large income is, by the erratic purchasing power of the dollar, practically cut in halves, but even before the buying power gets in its work the Government has already taken a large slice in taxes. They take the largest slice from those who formerly had the largest surplus for investment.

The man with the money of to-day is not the

capitalist—the man with the money of to-day is he who works for wages. He receives anywhere from 60 per cent. to 75 per cent. of the total income of the country and therefore he is the man who has to be thrifty if the progress of society is to continue.

There is no getting away from this. He is the man who has to save—for the good of the entire community and for his own welfare in particular. If we do not have a large and continuously growing investment in industry; if, for instance, we keep only our present investment, then the natural increase in population will cause the investment continually to decrease per head of population and consequently production will grow relatively smaller and smaller until the lack of things to buy will drive the unthinking mass of mankind to the social suicide of Russia.

What are you going to do about it? Someone will probably say: "Why we have always known this and have made provision." Perhaps a few people have always known this but only in an academic way and not as a question of tremendously vital, national importance, for otherwise we should have some means of returning a portion of the wage fund to industry. We are almost without that means. We have the savings banks but these (as I have in a previous chapter pointed out) exist for the custody of

sums that have already been saved. Neither the saving funds, nor the postal savings banks, nor any of the several ostensible means of a quasi-public nature have ever been compelled or impelled to go to the individual worker and sell to him the idea of saving with that quick living force that revolutionary socialism is sold to him, or even with the emotional force with which religion is sold to him.

Religion is taught to the mob as a means by which they can avoid a hell in the hereafter. Thrift might be taught as a means of avoiding hell in the present. If we could make a thriftless person as much of a social outcast as an atheist we should go far toward making a better world.

There is the point. The economic value of thrift has to be sold—not only well sold but kept sold. The idea that property is something to desire and not something to destroy has to be demonstrated by affording the labourer a chance to own property. The man who saves anyway—the man with the streak of the miser in him—does not have to be persuaded. He, unfortunately, is usually an example to avoid. He is about as convincing an exhibit as a Sunday-School tract. His self-conscious virtues are to most people unpleasant, unsocial vices and convince those who come in contact with him that

somehow there is a conflict between thrift and comfort—between leading a normal life and leading a thrifty life. So much for thrift and its effects.

How is the man with the money—that is, the worker—going to be induced to get into industry as a capitalist? He has to come in of his own free will—he cannot be dragged in by the ears as some employers would drag him—because suddenly realizing the economic value of thrift and being essentially paternal in nature they decree that all of those they employ must be thrifty just as they would decree that their front lawn be cut. Usually they follow up the decree by increasing the man's wages and then confiscating the increase in order that the face of thrift may be bright and shining!

It can hardly be questioned that if we are to have general thrift it is the part of the employer to give whole-souled encouragement—no, more than that, to urge thrift to his people with all the force and skill that he would urge a banker for a loan. But also that in order that the worker may appreciate the general social value of thrift and may preserve a fine upstanding independence, the means of thrift should in no sense depend upon a whim of the employer or by him in any way be controlled. Otherwise it will not be doubted that thrift is for the purpose of some-

how helping the employer—not of helping the man himself.

In previous chapters I have sketched what experience shows to be the most effective thrift methods. They are not the only ones. They can probably be improved upon but that which I want firmly to impress by this book is:

(1) The absolutely vital need of thrift if we are to preserve our social structure, let alone our progress.

(2) The cultivation of a stalwart independence in the worker which will make him an upstanding capitalist and a co-worker in society and not its opponent.

(3) The suggestion of methods by which this kind of thrift may be attained.

For when all is said and done most of our industrial trouble arises from those who *have* disputing with those who *have not*. One cannot expect to change the traits of humanity. One cannot reasonably urge an order of society in which all are the same—an order in which aptitude and ineptitude will be alike rewarded, but we can hope to come within striking distance of the abolition of poverty by making the ownership of property easier, by cultivating the habit of riches as opposed to the habit of poverty—in short, by making the social competition that which exists between the several grades of

those who have and abolishing the competition between those who have and those who have not.

Instead of destroying Capital why not destroy Poverty?

And why not start now?

THE END